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**INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES**

**[ISSN 2581-5369]**

**Volume 9 | Issue 4**

**2026**

# Exploring the Dark Side of Leadership: The Impact of CEO Narcissism on Corporate Misgovernance

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## ABSTRACT

*This paper examines the relationship between chief executive narcissism and corporate misgovernance, with particular emphasis on the Indian corporate governance framework. Charismatic and visionary leadership is widely celebrated, yet pronounced narcissistic traits in a chief executive officer can undermine ethical decision-making, weaken institutional accountability and raise the likelihood of corporate misconduct. The study explores how grandiosity, excessive risk-taking, limited empathy, resistance to oversight and the pursuit of personal recognition bear adversely on corporate governance, stakeholder interests and organisational sustainability. It adopts a doctrinal and qualitative approach, analysing the existing literature, the Companies Act, 2013 and significant instances of corporate misconduct. It further employs case study analysis of the Kingfisher Airlines and Punjab National Bank matters, associated respectively with Vijay Mallya and Nirav Modi, to examine how leadership traits of this kind, combined with weak governance mechanisms, have featured in the financial irregularities, regulatory proceedings and corporate collapses alleged in each case. The comparative examination highlights recurring behavioural patterns, including aggressive expansion, resistance to accountability, the deployment of corporate resources for personal ends and the erosion of stakeholder trust. The paper also analyses the legal position of chief executive officers under the Companies Act, 2013 by examining their roles, responsibilities and governance obligations. Building on these findings, it proposes a range of corporate governance reforms, including stronger board independence, transparent executive compensation, enhanced shareholder participation, robust whistleblower protection, periodic performance evaluation, ethical leadership standards and greater regulatory oversight. The study concludes that although chief executive narcissism alone cannot explain every instance of corporate misgovernance, it is a significant behavioural risk factor capable of amplifying governance failures where institutional safeguards are weak. Strengthening corporate governance structures and reinforcing executive accountability are therefore essential to promoting ethical leadership, protecting stakeholder interests and securing the long-term sustainability of corporations in India.*

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 [ISSN 2581-5369]

***Keywords:*** *CEO Narcissism, Corporate Misgovernance, Executive Accountability, Ethical Leadership, Board Oversight, Corporate Fraud, Stakeholder Protection*

## I. INTRODUCTION

Corporate governance has emerged as one of the most pressing concerns in India and elsewhere in recent years, with a growing emphasis on transparency, fairness, responsibility, accountability and ethical conduct in the corporate sector. Many organisations have made significant progress in aligning their stated principles with their actual practices. The presence of chief executive officers with narcissistic tendencies, and the effect such tendencies may have on corporate misgovernance, nevertheless remains a matter of serious concern.

The AMERICAN PSYCHIATRIC ASSOCIATION (2013), in the DIAGNOSTIC AND STATISTICAL MANUAL OF MENTAL DISORDERS, defines narcissistic personality disorder as a pervasive pattern of grandiosity, whether in fantasy or in behaviour, coupled with a need for admiration and a lack of empathy, beginning by early adulthood and present across a range of contexts. Management scholarship works with a related but broader construct of trait narcissism, described as a multifaceted trait that combines grandiosity, attention seeking, an unrealistically inflated self-view, a need for that self-view to be continuously reinforced, and a general disregard for others (for a review, see Cragun et al., 2020). Chief executives who score highly on that construct are argued to give precedence to their own needs and self-image over the well-being of the firm and its stakeholders.

In a country such as India, where entrepreneurship and business acumen are prized, narcissistic chief executives are frequently perceived as charismatic and visionary leaders. The same traits may in practice manifest as arrogance, impulsiveness and impatience with rules and regulatory constraints. Evidence from Indian firms suggests that measured chief executive narcissism is associated with more aggressive expansion decisions (Agnihotri & Bhattacharya, 2019).

The connection between chief executive narcissism and corporate misgovernance lies in the tendency of such leaders to prioritise personal ambition and self-image over the welfare of the company and its stakeholders. That tendency can set in motion a chain of unethical practice, financial irregularity and indifference to established governance norms. Left unchecked, it can expose an organisation to serious financial and legal consequences.

This paper explores the relationship between chief executive narcissism and corporate misgovernance in India. It examines documented case studies in order to illustrate the effect of narcissistic leadership on companies, on their various stakeholders and on the wider Indian economy. In examining this dark side of leadership, it seeks to contribute to an understanding of the risks such leadership poses and to the debate on how those risks may be mitigated without impeding the growth of the Indian corporate sector.

## II. Research objectives

The first objective of this paper is to establish what constitutes narcissism in chief executive officers, and to identify the traits and measurement techniques by which the presence and intensity of the trait may be assessed. A second objective is to examine the nexus between chief executive narcissism and corporate misgovernance by considering the role of the chief executive officer in corporate governance, and thereby to determine whether such narcissism operates as a contributing factor in corporate misgovernance. That nexus is best understood through the study of Indian matters, and the paper accordingly draws on recent instances of corporate misgovernance in India.

The paper also considers how the effects of chief executive narcissism may be mitigated through corporate governance practices and through regulatory and policy intervention. It aims to provide a comprehensive account of the Indian regulatory framework as it bears on corporate misgovernance, and to offer suggestions for improving that framework.

## III. Research questions

What are the role and functions of the chief executive officer in corporate governance?

Does a nexus exist between chief executive narcissism and corporate misgovernance?

How may the effects of chief executive narcissism be mitigated?

## IV. Literature review

Larcker, O'Reilly, Tayan and Zakolyukina (2021), writing for the Corporate Governance Research Initiative at Stanford Graduate School of Business, investigate the prevalence of narcissism among corporate chief executives and its effect on share price performance and on other corporate outcomes, including environmental, social and governance ratings, governance quality and executive pay. Drawing on assessments of chief executive personality made by long-serving directors who had worked closely with the individual concerned, they report that roughly eighteen per cent of the chief executives in their sample scored as moderately to highly narcissistic, a rate materially higher than that observed in the general population. Firms led by highly narcissistic chief executives delivered markedly weaker median annualised shareholder returns, yet recorded higher environmental, social and governance scores and paid their chief executives substantially more. The authors caution that the higher ratings may reflect visible signalling rather than substantive commitment. Their study is significant because it treats chief executive personality as a material determinant of firm performance, operating through leadership style, organisational culture, strategy, risk appetite and incentive design.

Donker, Nofsinger and Shank (2023) examine the relationship between chief executive narcissism and corporate misconduct in United States firms. Contrary to the intuition that narcissism translates directly into wrongdoing, they report that corporations led by narcissistic chief executives record fewer misconduct violations and pay lower penalties, and that violations fall when a narcissistic chief executive succeeds a non-narcissistic one and rise where the succession runs the other way. One explanation they advance is that narcissistic leaders act to preserve a favourable public image. A separate strand of the literature reaches a different conclusion in relation to financial reporting. Rijsenbilt and Commandeur (2013) find a positive association between measured chief executive narcissism and the incidence of fraudulent financial reporting, and Al-Shammari, Rasheed and Al-Shammari (2019) find that narcissism shapes the focus of a firm's corporate social responsibility activity rather than simply its volume. The literature is therefore divided, and the divergence itself indicates that narcissism operates on governance outcomes indirectly, through the strength or weakness of the institutional checks that surround the office.

## V. The nexus between chief executive narcissism and corporate misgovernance

The nexus between chief executive narcissism and corporate misgovernance is a pertinent question for the corporate governance field. As noted above, a chief executive is characterised as narcissistic where the individual exhibits an excessive sense of self-importance, a persistent need for admiration, limited empathy and a sense of entitlement (Zhu & Chen, 2015). Chief executives who exhibit such behaviour frequently take decisions that serve their own interest more than that of the company, and those decisions may in turn translate into misgovernance.

Chief executive narcissism may bear significantly on corporate governance in the following ways.

### A. Risk-taking behaviour

A survey of corporate scandals across jurisdictions suggests that where a chief executive has exhibited narcissistic tendencies, that individual has often been inclined to take excessive risks. In the corporate world risk-taking frequently yields greater reward than a conservative course, and chief executives who pursue personal glory, fame and recognition may take disproportionate risks in order to secure it (Buyl et al., 2019). That pursuit can lead to financial mismanagement and corporate misgovernance, and ultimately to the failure of the company.

**B. Lack of accountability**

An individual with an inflated sense of self-importance tends to resist oversight and to avoid accountability. In the corporate context this is particularly costly. Where a chief executive resists oversight and avoids accountability, the result is a weakening of checks and balances and of transparency in the working of the company (Cragun et al., 2020). Decisions taken without consultation may shade into unethical or unlawful conduct that harms the company and all its stakeholders over the longer term.

**C. Short-term focus**

The collapse of Enron remains a standing lesson in corporate governance. One of the central concerns in that matter was that senior management held incentives tied closely to the share price, which rewarded the reporting of results that flattered the company's true position. Narcissistic chief executives frequently focus on short-term objectives such as lifting the share price, thereby enhancing their own remuneration and standing, without weighing the effect on the company's reputation and long-term interests (Rijsenbilt, 2011). This can produce strategic misalignment and misgovernance, and place the future of the company in jeopardy.

**D. Overly aggressive strategies**

In pursuit of personal advancement, chief executives may adopt overly aggressive strategies for corporate growth and expansion. The appetite for recognition, wealth and power, visible in matters as varied as Enron, Kingfisher Airlines and Waste Management, has repeatedly been associated with financial mismanagement and misgovernance. Empirical work indicates that narcissistic chief executives place greater weight on acquisitions and on international diversification, and are less receptive to the corrective influence of their boards (Oesterle et al., 2016; Zhu & Chen, 2015).

**E. Ethical concerns**

Where the objective is personal glory, remuneration, fame and recognition, narcissistic chief executives have been found to resort to unethical measures, including aggressive tax avoidance, the manipulation of reported earnings and, in the most serious cases, fraud (Hsieh et al., 2018; Rijsenbilt & Commandeur, 2013). Such conduct undermines the integrity and reputation of the company, produces corporate misgovernance and may end in the failure of the enterprise.

## VI. Case studies

The two case studies that follow draw on published reporting, on the record of regulatory and investigative action, and on the proceedings of Indian and United Kingdom courts. Neither of the individuals discussed has been tried or convicted in India of the offences described, and the account below is framed in terms of what has been alleged, found or ordered rather than proved.[1]

### A. Vijay Mallya and Kingfisher Airlines

#### i. Character analysis

Vijay Mallya, known in India as the King of Good Times, built a reputation as a businessman with an unusually sure commercial instinct. He was born to the business figure Vittal Mallya, chairman of United Breweries, and grew up at a distance from the material pressures that shaped most Indian lives of his generation. An indulgent upbringing did much to form the self-assurance that later characterised his public persona.

In his twenties Mallya led a conspicuous life and took an early interest in motor racing. His circumstances changed on the death of his father in October 1983, when at the age of twenty-seven he assumed control of the family enterprise (Gupta & Gupta, 2017).

Father and son had markedly different temperaments. Vittal Mallya ran a brewing business at a time when the movement for prohibition was at its height, and when there was considerable pressure on government to give effect to Article 47 of the Constitution, which directs the State to endeavour to bring about prohibition of the consumption of intoxicating drinks and of drugs injurious to health. Though a wealthy man, Vittal Mallya took care to keep his name and his business out of the public eye.

Vijay Mallya took the opposite course. On assuming control of his father's enterprise in 1983 he set out to prove that he could make it larger and more visible, treating the task as a challenge issued to himself and as a way of doing justice to his father's legacy (Gupta & Gupta, 2017).

An observant and astute businessman, Mallya was among the first to recognise that Bangalore had the potential to sustain a social culture reminiscent of the British pub. Capitalising on a

[1] Vijay Mallya was declared a fugitive economic offender under the Fugitive Economic Offenders Act, 2018 on 5 January 2019, the first person so declared, and faces charges of criminal conspiracy, cheating and money laundering brought by the Central Bureau of Investigation and the Enforcement Directorate. His extradition was ordered by the United Kingdom courts in December 2018 and upheld on appeal in 2020, but has not been executed. Nirav Modi has been charged by the same agencies in connection with the Punjab National Bank letters of undertaking, has likewise been declared a fugitive economic offender, and has been held in the United Kingdom since March 2019 while extradition proceedings run their course. Neither has been tried in India, and nothing in this paper should be read as a finding of guilt.

rising middle class curious about Western consumption habits, he pushed Kingfisher beer through the pubs of the city.

The product succeeded. Kingfisher, then sold on draught in those pubs, became so closely identified with the category that consumers began to ask for the brand rather than for beer.

The success of the product and the wealth that followed did not satisfy Mallya. His stated motto was bigger and bigger, and he applied it to the business. He sought not merely wealth but recognition and acknowledgement in daily public life.

Popular attachment to the brand did not, however, relieve the pressures on the liquor industry. Restrictions on the advertising of alcohol introduced in 1995 through the regulation of cable television networks meant that Kingfisher beer could no longer be advertised directly. Mallya responded by introducing Indian audiences to surrogate advertising, promoting the Kingfisher name through soda and mineral water in order to sustain brand recall (Gupta & Gupta, 2017). The campaigns, and their jingle, were widely noticed. Mallya's particular skill lay in making his own life and lifestyle the centrepiece of the brand, so that Kingfisher came to signify not merely a beer but a way of living.

The man known as the King of Good Times was flamboyance personified. He was known for a distinctive sense of dress, for the jewellery he wore and for lavish entertaining. He carried that self-assurance even into serious adversity, publicly treating his survival of a helicopter crash as evidence that he was needed.

That confidence carried him into the airline industry and to his most ambitious venture, Kingfisher Airlines, which began operations in May 2005. Contrary to a common description, the airline was not launched as a low-cost carrier. It flew as a single-class, full-service operation whose selling point was that it brought a standard of comfort and service previously associated with premium travel within reach of the middle-class passenger.

Kingfisher Airlines was initially well received, but the motto of bigger and bigger drove rapid expansion. The airline moved from short-haul domestic operations to a first-class product and international routes. Mallya ordered further aircraft and in 2007 acquired the low-cost carrier Air Deccan, a transaction that also enabled the group to satisfy the then rule restricting international operations to carriers with five years of domestic service.

That expansion was financed by borrowing. As Mallya's ambitions for the airline grew, so did its debt obligations, which increased steeply between 2005 and 2010.[2]

[2] Independently reported estimates place Kingfisher Airlines' consolidated borrowings at approximately 7,000 crore rupees, in the order of 1.3 billion United States dollars, by 2010. The loss figures in Table 1 reproduce the

Mallya did not stop with the airline. He identified commercial opportunity in motor racing and in cricket, acquiring a Formula One team and a franchise in the Indian Premier League, so that two personal enthusiasms became substantial businesses in their own right.

**ii. The start of the fall**

The reversal began with the global financial crisis of 2008 and the collapse in premium air travel that followed it. Kingfisher Airlines was an embodiment of the Kingfisher brand and of Mallya himself, and its management reflected both the ambition and the weaknesses of its founder.

Although the original plan contemplated the acquisition of a small number of additional aircraft after the airline's initial success, the fleet was expanded well beyond what the route network could support.

The philosophy of bigger and bigger that had served Mallya's other businesses did not serve the airline. A larger fleet meant higher fuel, staffing and overhead costs. An operation offering a premium product at fares pitched below its cost base lost money month after month, and the cost of running the airline consistently exceeded its revenue.

For Mallya, however, Kingfisher was an extension of himself, a brand built out of his own flamboyance, taste for luxury and showmanship. Reducing the standard of the product in order to cut costs was, on that view, unthinkable.

To keep the airline flying, Mallya turned to substantial borrowing from nationalised banks. His reputation preceded him, and the Central Bureau of Investigation has since alleged that lenders sanctioned facilities to the airline without observing their own appraisal norms (Tsang & Kumar, 2017).

In relation to IDBI Bank, whose exposure to the airline rose to approximately nine hundred crore rupees by December 2009, the Central Bureau of Investigation has alleged that short-term facilities were sanctioned and disbursed in disregard of the bank's own procedures, and that reliance was placed on the projected value of the Kingfisher brand, an intangible asset, and on the company's own revenue projections rather than on audited figures disclosed to the market. Those allegations remain the subject of proceedings and have not been finally determined.

Public perception of the company and its founder shifted with the publication in late 2011 of the Veritas Investment Research report *A Pie in the Sky*, which examined the widening gap between the airline's costs and its revenue, concluded that its book equity had been eroded notwithstanding the audited accounts, and advised investors to sell.

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series presented by the authors and should be read as indicative of the trajectory of the airline's position rather than as audited balance sheet totals.

Mallya maintained a confident public posture after the report appeared, asserting that his record of repayment was unblemished and that the borrowings would be repaid in full. By 2011 the airline had insufficient working capital to operate; fuel bills went unpaid and catering services were suspended for want of funds. Losses accumulated year after year.

| Year | Cumulative losses (US$ million) |
|---|---|
| 2005 | 2 |
| 2006 | 76 |
| 2007 | 180 |
| 2008 | 242 |
| 2009 | 560 |
| 2010 | 934 |
| 2011 | 1,165 |

*Table 1: Kingfisher Airlines cumulative losses, 2005 to 2011*

After 2011 adverse reporting on the airline intensified. Salaries to Indian employees went unpaid for months while, as press reports at the time indicated, staff at overseas stations continued to be paid. That contrast hardened the perception that non-payment reflected priorities rather than an absolute want of funds.

The Formula One and Indian Premier League teams, both of which were losing money, continued to operate through the same period, at a time when the airline itself could not meet its obligations.

Mallya's sixtieth birthday celebration in December 2015 marked a decisive turn in public opinion. His refusal to discharge the airline's borrowings out of his personal wealth, his insistence that he had done nothing wrong, and the allegation, made by the Enforcement Directorate, that funds were diverted from Kingfisher Airlines to other ventures were all treated as aggravating features by his critics (Tsang & Kumar, 2017).

Mallya left India in March 2016. He has been charged by the Central Bureau of Investigation and the Enforcement Directorate with offences including criminal conspiracy, cheating and money laundering, and on 5 January 2019 a special court under the Prevention of Money Laundering Act declared him a fugitive economic offender, the first person to be so declared under the Fugitive Economic Offenders Act, 2018 (THE ECONOMIC TIMES, 2019). A consortium of seventeen lenders claimed dues of the order of nine thousand crore rupees, and in January 2017 the Debt Recovery Tribunal at Bengaluru directed recovery of six thousand two hundred and three crore rupees together with interest. United Kingdom courts ordered his extradition in December 2018 and dismissed his appeal in 2020, though the order has not been executed. He has not been tried in India on the substantive charges.

What the record establishes, and what is material for the purposes of this paper, is a pattern of conduct in which the identification of the leader with the enterprise displaced the ordinary disciplines of accountability. The refusal to accept that the airline's economics had failed, the continued funding of ventures that flattered the founder's public standing, and the resistance to any correction that would have diminished the brand are, taken together, the governance failure this study is concerned with, irrespective of the outcome of the criminal proceedings.

### B. Nirav Modi and the Punjab National Bank letters of undertaking

#### i. Character analysis

Nirav Modi was born into a family of jewellers with roots in Gujarat and grew up expecting to enter the family trade. He was raised on the proposition that reputation precedes the merchant, and on lessons in honesty and ethical dealing that the diamond trade traditionally treats as its working capital.

Growing up surrounded by diamonds within the discreet Gujarati diamond industry did not satisfy him. He had ambitions for the business that extended to luxury brand status and to international recognition, and a stated aspiration to build an Indian jewellery house comparable to the established Western maisons.

A designer with an eye for detail and an appetite for technical perfection, Modi set out to create what he described as India's first luxury brand. Indian consumers were at that time opening up to international luxury houses, and he sought to capture that emerging market.

With a father and grandfather in the trade, and with a Gujarati diamond industry that operated on kinship and trust, entry into the Indian market presented little difficulty. In pursuit of an international business Modi trained under his maternal uncle, Mehul Choksi, whose approach to display and expenditure differed markedly from that of the discreet diamantaires among whom Modi had grown up. Choksi has since been charged as a co-accused in the same matter; he was arrested in Belgium in 2025 and extradition to India was approved in October 2025, subject to appeal. He has not been convicted.

Modi learned the trade from his uncle and has credited his success in international markets to the decade he spent working with him. The two shared an ambition for international recognition, but separated in 1999, when Modi left to found his own company, Firestar Diamond.

Modi's early career was shaped by his uncle's example and by an effort to replicate it. He specialised in the cutting and polishing of diamonds and in finished jewellery. The foundation of his commercial standing, however, was the trust he built by paying suppliers promptly and in cash, which established a reputation for reliability and goodwill (Singh & Gupta, 2019).

The construction of the brand around his own name was a commercially astute decision. Reserved by temperament and uncomfortable in public settings, Modi nonetheless sought international recognition and a legacy that would outlast him. He achieved it through a public relations effort that assembled his personal story, his Indian identity and his design vocabulary into the portrait of a confident figure who would remake the jewellery trade and stand as a source of national pride.

Recognition came quickly. His designs were technically accomplished and visually distinctive, and he was known for pressing at the technical limits of the craft and for combining aesthetic and technical ambition in ways the trade had not previously seen.

A further element of his reputation was his conduct as an employer. Subsidised meals, crèche facilities and attention to the domestic circumstances of his workforce earned him a considerable degree of loyalty within his firms (Singh & Gupta, 2019), and his philanthropic activity extended beyond his own employees. Former employees have continued to speak of him with affection, and in some accounts with an expectation of his return.

Modi's pursuit of distinctiveness reflected a conviction that a mark of individuality is indispensable to a luxury brand. He studied the Sotheby's and Christie's sale catalogues closely in order to follow design movements and price expectations, and designed to those trends.

His Golconda necklace, built around a pear-shaped flawless Golconda diamond, brought him international attention when it appeared on the cover of a Christie's auction catalogue in 2010, reportedly making him the first Indian jeweller to be so featured. The necklace sold for approximately sixteen crore rupees and generated substantial publicity for the brand in India and abroad.

His standing with his workforce, his design achievements and his technical facility combined to make him, in the view of much of the Indian business press of the period, a model of what a modern Indian entrepreneur should be.

### ii. The start of the end

At the height of his reputation an important question about the business went largely unasked, namely the source of the money. The company was privately held, yet it maintained boutiques in several international cities and reported a turnover in the hundreds of millions of dollars.

According to the case subsequently made by the investigating agencies, the funding came from Punjab National Bank. From 2011 onwards, credit was extended to firms associated with Modi not by way of ordinary loans but through letters of undertaking. A letter of undertaking is a guarantee issued by a bank in the borrower's home country on the strength of which the borrower obtains credit from a bank abroad (Singh & Gupta, 2019). It is a legitimate and widely used instrument that allows an importer to raise foreign exchange without incurring substantial conversion costs, and it is a comparatively inexpensive means of sourcing dollars or sterling.

Ordinarily the issuing bank requires cash margin, being a proportion of the sum guaranteed, to be deposited before the letter of undertaking is issued. The Central Bureau of Investigation alleges that the letters of undertaking issued to firms associated with Modi were issued without any such margin, with the collusion of employees at the bank's Brady House branch in Mumbai, and that the transactions were routed through the SWIFT messaging system without corresponding entries in the bank's core banking system.

The letters were then presented to overseas branches of Indian banks, which advanced funds in dollars or sterling against them. Because the guarantees were never recorded in the issuing bank's own systems, the exposure did not appear on its books.

The branch concerned issued a substantial volume of such instruments as a matter of routine, and the transactions attracted little attention. According to the investigation reported by Das, Kalra and Lasseter (2018), the arrangement went undetected for several years because it turned on the participation of a very small number of individuals at the branch.

The Enforcement Directorate has further alleged that the value of the diamonds traded was inflated through a network of shell companies, some of them registered in the names of family members, through which the same stones were sold and resold at ascending prices. On that account a stone acquired at one price could be transferred between related entities until its recorded value bore no relation to its worth.

The purpose alleged was to siphon off the difference between the recorded and the real value of the goods and to apply it to personal use, so that the round-tripping of inventory generated funds without attracting immediate scrutiny. The agencies contend that this was the mechanism by which the personal wealth associated with the brand was accumulated.

The arrangement came to light in January 2018. Following the retirement of one of the officials said to have been involved, representatives of the group approached the branch for fresh letters of undertaking and were refused for want of margin. An examination of the branch records disclosed a series of earlier instruments issued without any cash collateral (Das et al., 2018). Punjab National Bank disclosed the matter to the stock exchanges in February 2018, reporting fraudulent transactions of approximately 13,850 crore rupees, in the order of 1.8 billion United States dollars, in respect of firms linked to Modi and to Choksi.

Modi had left India on 1 January 2018, some weeks before the disclosure, and was subsequently located in the United Kingdom (BBC NEWS, 2018). He has been charged by the Central Bureau of Investigation and the Enforcement Directorate with offences including criminal conspiracy, criminal breach of trust, cheating and money laundering, and has been declared a fugitive economic offender. He was arrested in London in March 2019, and his extradition was ordered by the Westminster Magistrates' Court in February 2021 and upheld on appeal by the High Court in November 2022. He has remained in custody in the United Kingdom pending the conclusion of those proceedings and has not been tried in India.

## VII. SIMILARITIES BETWEEN THE TWO CASE STUDIES

Read together, the two matters disclose a set of recurring behavioural patterns, set out below.

| **Vijay Mallya** | **Nirav Modi** |
|---|---|
| Externally and conspicuously flamboyant, he lived his life publicly and did not avoid displays of wealth. | Though he did not entertain lavishly, he acquired very expensive property in Mumbai and collected rare art valued in the millions. |
| His stated aim was to make his father's business larger and better and, in doing so, to prove himself. | Though he did not take over the family business, he likewise set out to build his own enterprise on a larger scale. |
| He wanted Kingfisher to be a global brand and sought recognition on a global scale. | He too sought to compete in the world diamond market and to leave a mark internationally. |
| Funds from Kingfisher were used to support his personal interests in Formula One and the Indian Premier League. | Funds generated by the business, on the allegations made by the investigating agencies, were used to sustain an expensive personal lifestyle and to build a private financial empire. |
| He was committed to Kingfisher, spending freely, recruiting experienced people, supervising aspects of the business himself and pursuing improvement continuously. | He was committed to his brand and his craft, working with unusual diligence and choosing to improve the product even where doing so cost money. |
| Rather than submit to the Indian judicial process, he left the country and has resisted extradition. | Rather than face the proceedings in India, he left the country with his family and has likewise resisted extradition. |

*Table 2: Recurring behavioural patterns across the two case studies*

## VIII. Chief executive officers: ascertaining their roles and responsibilities

Section 2(18) of the Companies Act, 2013 provides that a chief executive officer means an officer of a company who has been designated as such by it. The Companies Act, 1956 contained no corresponding definition, regulating instead the offices of manager and managing director. Section 2(51) of the Companies Act, 2013 defines key managerial personnel so as to include the chief executive officer or managing director. The position is therefore designation-oriented, and the role is not separately defined by the Act. It follows that a person discharging the functions of any other key managerial person specified in the Act may be designated as the chief executive officer.

### A. Analysis of the function and role of the chief executive officer

#### i. Leadership and vision

The chief executive officer is responsible for setting the vision and strategic direction of the organisation, and for providing the leadership that motivates employees to work towards common objectives.

#### ii. Corporate governance

Chief executive officers play a central role in ensuring that companies comply with applicable governance guidelines and regulations. They work closely with the board of directors so that the company's governance is transparent and ethical.

#### iii. Decision-making

The performance, expansion and profitability of a company turn on the decisions of its chief executive officer, who must weigh risk against opportunity in order to decide soundly.

#### iv. Stakeholder management

Chief executive officers manage relationships with a range of stakeholders, including shareholders, employees, customers, suppliers and government agencies. Effective stakeholder management is essential to the success and reputation of the company.

#### v. Financial management

Chief executive officers work closely with chief financial officers on budgets, financial reporting and financial planning in order to secure the financial health of the organisation, and take the strategic financial decisions on which profitability and sustainability depend.

 [ISSN 2581-5369]

**vi. Operational oversight**

Chief executive officers are responsible for the day-to-day operations of the company and for ensuring that it runs efficiently and meets its objectives.

**vii. Innovation and strategy**

Chief executive officers are responsible for formulating and implementing the company's strategic plans. The role calls for an innovative outlook and the ability to identify emerging trends and opportunities.

**viii. Regulatory compliance**

Chief executive officers must ensure that their corporations comply with all applicable laws and regulations. This is of particular importance in closely regulated sectors such as finance, healthcare and pharmaceuticals.

**ix. Crisis management**

Chief executive officers must be equipped to manage crises, whether financial, reputational or driven by external factors.

**x. Ethical leadership and corporate social responsibility**

Chief executive officers are expected to lead ethically and responsibly. They are answerable for the organisation's corporate social responsibility initiatives and for the adoption of sustainable business practices.

The role, responsibilities and functions of the chief executive officer in India, as elsewhere, are demanding and multifaceted. Specific functions and priorities vary with the size of the company, its industry, its ownership structure and its strategic goals. Success in the office generally depends on the capacity to adjust to changing conditions, to choose soundly, and to steer the firm towards its objectives while adhering to legal and ethical standards.

## IX. Ways to mitigate chief executive narcissism

### A. Board oversight

The behaviour of a narcissistic chief executive can be restrained by an active, independent and engaged board of directors. The board should be composed so that its members are willing and able to challenge the chief executive where necessary (Buyl et al., 2019).

**B. Hiring and succession planning**

In recruiting for senior office, preference should be given to candidates who exhibit humility, emotional intelligence and a collaborative leadership style. Succession planning should identify and develop leaders who possess those qualities.

**C. Clear corporate governance and ethical standards**

Clear governance and ethical standards should be developed and enforced, so as to establish defined boundaries for executive conduct and decision-making.

**D. Diverse leadership team**

A diverse senior team can supply a broader range of perspectives and may serve to counterbalance the inclinations of the chief executive.

**E. Performance metrics and accountability**

Clear and precise performance benchmarks should be established, and the chief executive held responsible for outcomes measured against them. This assists in deterring hasty or self-serving action.

**F. Three-hundred-and-sixty-degree feedback**

A structured feedback system permitting employees, peers and subordinates to comment on the chief executive's leadership style can improve self-awareness and receptiveness to change.

**G. Regular performance reviews**

Regular review of the chief executive's performance by the board, and where appropriate by shareholders, maintains a continuing discipline on the office. Such reviews should include a thorough assessment of leadership behaviour and of its effect on the organisation.

**H. Crisis preparedness**

A comprehensive crisis management plan should be in place to address any crisis arising from the conduct of the chief executive, together with a clear succession plan.

**I. Shareholder activism**

In extreme cases shareholders may exercise their rights to influence the conduct of the chief executive through voting or activism, though this course should be used judiciously.

**J. Transparency and open communication**

A culture of open communication and transparency should be fostered within the organisation, so that unethical or self-serving conduct does not pass unnoticed.

 [ISSN 2581-5369]

# X. Regulatory and policy interventions

### A. Strengthened corporate governance

Enforcing stronger corporate governance standards that require independent oversight and clearly separated roles for the chief executive and the board would do much to check the accumulation of unchallenged executive power (Kabuana et al., 2023).

### B. Disclosure of the chief executive pay ratio

Mandatory disclosure of the ratio between chief executive and median employee remuneration would promote transparency and fairness in executive compensation.

### C. Limits on executive compensation

Caps or limits on executive remuneration, including performance-linked pay, would reduce the financial incentives that reward self-regarding behaviour.

### D. Shareholder empowerment

Shareholder rights and engagement mechanisms should be strengthened so that shareholders can take a more active part in decisions on the appointment and remuneration of the chief executive.

### E. Whistleblower protection

Protections and incentives for whistleblowers within the organisation should be enhanced, so that unethical conduct can be reported and concerns about the chief executive raised safely.

### F. Ethics and compliance programmes

Companies should be required to establish and maintain robust ethics and compliance programmes capable of addressing the risks associated with narcissistic leadership and unethical conduct.

### G. Code of conduct for senior executives

A clear code of conduct should be developed and enforced for senior executives, setting out expectations as to ethical behaviour and leadership.

### H. Public interest directors

Public interest directors or ombudspersons should be appointed to represent the interests of the wider body of stakeholders and to ensure that decisions taken by the chief executive are balanced and ethical.

 [ISSN 2581-5369]

### I. Regulatory oversight and enforcement

Regulatory bodies charged with the oversight of corporate behaviour should be given resources adequate to enforce ethical and governance standards.

### J. Legal liability

The scope for personal liability, financial and criminal, of chief executives who engage in unethical conduct causing loss to the organisation warrants closer consideration.

## XI. CONCLUSION

In the complex field of corporate governance, chief executive officers play a decisive role in shaping the fortunes of companies. They are treated as the embodiment of corporate leadership and exhibit a range of personality traits, some serving the company and others serving primarily themselves. The conduct of a chief executive can raise a company's standing or imperil its well-being. Chief executives who exhibit narcissistic characteristics, such as a grandiose sense of self-importance and a persistent appetite for admiration, represent one such dark facet of leadership. This paper has examined the nexus between chief executive narcissism and corporate misgovernance and the consequences that follow from it.

That relationship has been assessed differently across the literature. Some scholars conclude that narcissism, while not a desirable trait, cannot be treated as the sole cause of corporate misgovernance, and point to the advantages that a degree of self-confidence and ambition may confer. Through the two case studies examined here, this paper has emphasised the adverse consequences that narcissistic leadership may produce in the corporate sphere where institutional checks are weak.

Chief executive narcissism is capable of exerting a profound influence on the governance of a company, frequently to its detriment. Driven by a desire for personal recognition, narcissistic leaders take risky decisions that favour short-term gain to the executive over the long-term stability of the enterprise. The pursuit of personal advancement in preference to corporate advancement leads such leaders to resist accountability, oversight and any effective system of checks and balances. Where that pursuit is unconstrained, the result is corporate misgovernance, with corporate resources deployed imprudently and accountability set aside.

Opacity within an organisation is both an ethical and a legal concern. A leadership style that fosters an atmosphere of apprehension within the firm tends also to reduce transparency, and further ethical concerns, including insider trading and undisclosed related-party transactions, may follow. Each of these erodes the integrity and trustworthiness of the company.

Aggressive growth strategies are a further characteristic response, since expansion enhances the personal standing of the executive who directs it. Such strategies frequently result in strategic misalignment and in the misallocation of resources, which can place a company in a precarious position and, in the cases examined here, contributed to its collapse.

In practical terms, an understanding of the interaction between chief executive narcissism and corporate misgovernance matters to shareholders, boards of directors and executive search committees alike. Recognising the risks attending the appointment of a narcissistic chief executive, and implementing measures to contain their effect on corporate governance, is of first importance.

To address those risks, boards must put stringent governance mechanisms in place. Board oversight, careful hiring and succession planning, clear governance and ethical standards, a diverse leadership team, defined performance metrics and accountability, structured feedback from peers and subordinates, regular performance reviews, and transparency in internal communication are among the more effective of these mechanisms. Shareholder activism may also serve to restrain a narcissistic chief executive and to check the disproportionate exercise of executive power.

The evidence considered here indicates that chief executive narcissism frequently carries detrimental consequences for organisations and for their stakeholders. Its effect on corporate misgovernance is a reminder that the character of the leader and the vigilance of the governance framework are both material.

Ultimately a company is constituted not only by its stakeholders but also by the individual who occupies its leadership. To lead effectively, a chief executive must demonstrate a genuine commitment to the long-term prosperity of the company in preference to personal achievement. This paper is offered as a caution to stakeholders in companies in India and elsewhere to remain vigilant in the pursuit of effective and ethical leadership, so that the dark side of leadership does not overshadow the pursuit of corporate excellence.

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