Partner narcissism in a private market setting : consequences for audit reporting decisions and audit pricing

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ABSTRACT

This study investigates the association between audit engagement partners' narcissism (measured by the size of their signature) and audit reporting decisions and audit pricing in a private market setting. We analyzed 133,267 (78,994) firm-year observations from (financially distressed) Belgian firms audited by 795 individual engagement partners from 2008 to 2017. Our results suggest that narcissism is positively associated with the likelihood that audit partners issue going-concern opinions to their financially distressed clients and with audit fees. An array of robustness checks corroborates these results. Additional results show that audit partner narcissism is positively associated with reporting conservatism. Interestingly, additional analyses also show that narcissism reverses the effect of gender on audit reporting decisions and audit pricing. Collectively, the evidence from this study suggests that partner narcissism is positively associated with conservative audit reporting decisions and audit pricing in a private market setting.

Keywords: narcissism; personality; reporting decisions; audit pricing; audit partner; signature; behavior.

Data Availability: Data are available from the public sources cited in the text.

I. INTRODUCTION

An increasing number of archival studies show that individual engagement partner characteristics influence audit reporting decisions and audit pricing, despite the control mechanisms set up by audit firms to maintain consistency across engagements (e.g., Cameran et al., 2022; Chou et al., 2021; Gul et al., 2013; Zerni, 2012). Such individual characteristics include the partner's age, gender, education, intelligence, risk preferences, experience, expertise, and ethics (for overviews, see Hardies, Hossain, et al., 2021; Lennox & Wu, 2018). Due to a lack of available data, archival evidence on partners' innate personalities explaining the variation in audit reporting decisions and audit pricing across individual partners remains relatively scarce. In the current study, we study the narcissistic personality trait of engagement partners and its associations with audit reporting decisions and audit pricing.

We focus on narcissism because prior research shows that this personality trait influences individual decision-making and affects financial outcomes (e.g., Chatterjee & Hambrick, 2007; Ham et al., 2017). Within the accounting literature, a large body of research already exists on the role of CFO and CEO narcissism and its influence on financial outcomes (e.g., Capalbo et al., 2018; Chatterjee & Hambrick, 2007; Ham et al., 2017, 2018; Ingersoll et al., 2019; Judd et al., 2017; Olsen & Stekelberg, 2016). However, much less research has focused on narcissism in auditing (e.g., Chou et al., 2021; Church et al., 2020; Kerckhofs et al., 2021, 2023; Takada et al., 2021). A recent study by Chou, Pittman, and Zhuang (2021) (CPZ) is the only one to date that has empirically examined the effect of audit partner narcissism on audit reporting decisions. Based on data from publicly listed Taiwanese firms from 2006 to 2015, CPZ found a positive association between partner narcissism and audit quality. We extend CPZ's research by focusing on the private market context and including the effect of partner narcissism on audit pricing.

Following prior auditing research, we measure the narcissism of 795 individual partners by the size of their signature (Chou et al., 2021; Church et al., 2020; Takada et al., 2021). To measure audit reporting decisions and audit pricing, we analyze respectively going-concern opinions (n = 78,994) and audit fees (n = 133,276) of Belgian firms during 2008-2017. Our empirical analyses show that audit partner narcissism is positively associated with issuing going-concern opinions to financially distressed clients. This result suggests that auditor independence increases with partners' narcissism. This finding is consistent with CPZ's results, demonstrating the empirical generalizability of the association between partner narcissism and audit reporting decisions. Further, we find that partner narcissism is positively associated with audit fees. As suggested by Church et al. (2020), this might be because more narcissistic partners have stronger negotiation powers. Interestingly, we also find that narcissism reverses the effect of gender on audit reporting decisions and audit pricing. Previous evidence shows that female audit partners are associated with higher audit quality (e.g., Ittonen et al., 2013) and receive higher fees (e.g., Hardies et al., 2015; Hardies, Lennox, et al., 2021; Lee et al., 2019). However, we find that the association between gender and audit reporting decisions and audit pricing varies depending on the level of partner narcissism. More in detail, we find that female audit partners scoring high on narcissism are negatively associated with audit reporting decisions and audit pricing. Additionally, our results highlight contrasting behaviors between male and female narcissistic partners. Male narcissistic partners tend to adopt a more conservative approach while their female counterparts demonstrate a more assertive reporting.

We add to the existing literature in several ways. A first incremental contribution our study makes to CPZ, and other prior literature, is that we provide evidence on the effect of partner narcissism on audit pricing. We exploit Belgium's mandatory disclosure of audit fees to examine its link with partner narcissism. To the best of our knowledge, this study is the first to investigate the influence of partner narcissism on audit pricing, thereby shedding light on a

factor that may influence the dynamics of auditor-client negotiations (cf. Church et al., 2020). Second, we extend the study by CPZ to a private market context. By investigating the association between partner narcissism and audit reporting decisions for a large sample of private firms, we identify the empirical generalizability of CPZ's findings. Investigating markets dominated by private firms is relevant given their economic importance and because there are worldwide more privately held firms than publicly listed firms (Hope & Langli, 2010). Because private firms differ from public firms on several essential dimensions (Langli & Svanström, 2014), "it is not apparent without testing that results for public firms will generalize to private firms" (Hope et al., 2012, p. 501). In particular, narcissistic partners' better performance on the audits of publicly listed firms likely stems from their need for recognition and avoidance of reputation loss (for reviews, see Campbell et al., 2006; Morf & Rhodewalt, 2001). However, reputational incentives are much weaker in audit markets dominated by private firms (e.g., the audit markets of EU member states) than in the context of listed firms. Therefore, engagement partners' narcissism is less likely to be associated with audit reporting decisions and audit pricing in the context of private firm audits. To test if the positive association of partner narcissism with audit reporting decisions holds in a market dominated by private firms, we take advantage of the institutional setting of Belgium. The Belgian audit market has a predominant private client segment (Gaeremynck & Willekens, 2003; Hardies et al., 2018; Vanstraelen, 2003) and has disclosed the name and signature of the engagement partner since 2007. Further, prior research suggests that narcissism affects career outcomes (e.g., the decision to start at a Big 4 firm and partner aspirations) in the Belgian accounting profession (Kerckhofs et al., 2021, 2023). By partially replicating the study by CPZ, our study provides evidence for the empirical generalizability of the association between partner narcissism and audit reporting decisions and audit pricing. Third, we contribute to the literature on audit partner characteristics by showing that partner narcissism explains variation in auditor

reporting decisions and audit pricing. Because our data pertain to audit partners' entire client portfolios, we provide a comprehensive picture of the effects of partner narcissism on audit reporting decisions and audit pricing by investigating specific situations in which the effect prevails. Thus, our research responds to calls for more research on individual partner characteristics (e.g., DeFond & Zhang, 2014; Lennox & Wu, 2018) and for more such research in the context of private firm audits (e.g., Vanstraelen & Schelleman, 2017). Investigating audit partner characteristics in the context of private firm audits is important because audits of private firms might depend more on individual partner characteristics than those of listed firms. This is particularly the case for smaller clients and audit firms (Vanstraelen & Schelleman, 2017). Fourth, our paper responds to calls to investigate whether partner-level research conducted in developing economies (i.e., Taiwan (CPZ)) generalizes to developed economies (e.g., Lennox & Wu, 2018). Lastly, we contribute to the stream of research investigating the role of personality traits on work behavior. Although the association between personality and workplace behavior is extensively studied (e.g., Bakker et al., 2012; Cullen & Sackett, 2003; Lee et al., 2005), evidence from high-skilled professionals like audit partners is scant. However, understanding why some auditors behave differently is essential for regulators and audit firms, for example, to improve quality control systems (Francis & Michas, 2013).

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Audit Partners, Personality Traits, Audit Reporting Decisions, and Audit Pricing

Individual audit partner characteristics are important in explaining variation in audit reporting decisions and audit pricing (Cameran et al., 2022; Gul et al., 2013; Hardies, Hossain, et al., 2021a; Knechel et al., 2013; Zerni, 2012). Prior research documents various associations between audit reporting decisions and audit pricing and individual audit partner characteristics (e.g., age, gender, education, intelligence, risk preferences, experience, and expertise) (for overviews, see Hardies et al., 2021a; Lennox & Wu, 2018). However, publicly available partner

demographics (e.g., age, gender, industry expertise) appear to explain only a small portion of the variation in audit reporting decisions and audit pricing at the partner level (Cameran et al., 2022; Gul et al., 2013). This observation suggests that researchers should also focus on other partner characteristics, such as personality traits, to understand partner variation.

Narcissism and Accounting Behaviors

Narcissism is a stable personality trait characterized by a grandiose, self-loved, inflated self-image; and a constant urge to maintain and enhance this self-image at all costs (for reviews, see Campbell et al., 2006; Morf & Rhodewalt, 2001). The broader accounting literature links the narcissism of (top) managers to adverse outcomes. In particular, narcissistic CFOs are associated with lower financial reporting quality (Ham et al., 2017; Xiang & Song, 2021). CFO narcissism also influences auditors' estimation of the client risk associated with the management (Johnson et al., 2021). Further, narcissistic CEOs like to attract attention with daring and unethical actions, potentially leading to overinvestments, lower operating cash flows, lower profits, less internal controls, more aggressive earning management, tax avoidance, and more fluctuating firm performances (Capalbo et al., 2018; Chatterjee & Hambrick, 2007; Ham et al., 2018; Judd et al., 2017; Majors, 2016; Olsen & Stekelberg, 2016). Narcissistic CEOs are also likely to regulate how the public views their firm by excluding income decreasing components from non-GAAP earnings (Abdel-Meguid et al., 2021) and the declarations of positive connoted earnings (Marquez-Illescas et al., 2019). In addition, the perceived effectiveness of the audit committee declines when there is a narcissistic CEO (Zengin-Karaibrahimoglu et al., 2021). Due to the higher risk of narcissistic CEOs, auditors also charge higher audit fees to their firms; as a premium fee or compensation for the additional hours needed for these audits (Judd et al., 2017).

In contrast to research on CEOs and CFOs, research on auditors' personalities is relatively scarce. However, some recent studies have focused on auditors' narcissism (e.g., Chou et al.,

2021; Church et al., 2020; Hobson et al., 2020; Janssen et al., 2021; Takada et al., 2021). For example, Janssen et al. (2021) found that narcissism is higher among partners than among other auditors and that it is positively associated with auditors' professional skepticism.

Narcissism and Audit Reporting Decisions

A recent study by CPZ shows that partner narcissism is positively associated with audit reporting decisions that proxy for audit quality. Drawing on the DeAngelo (1981) framework, CPZ show that partner narcissism is associated with greater auditor independence. More specifically, the association between partner narcissism and audit quality is larger when a personal relationship exists between the auditor and the auditee or when the auditor works for larger clients (Chou et al., 2021). Several factors help explain the link between partner narcissism and independence. First, narcissists react badly to events that might damage their grandiose self-image (Besser & Zeigler-Hill, 2010), particularly when such events relate to achievement failures (Zeigler-Hill et al., 2010). Therefore, narcissistic partners are likely to avoid actions that can damage their reputation (e.g., audit failures). Hence, narcissism is positively associated with auditor independence (Chou et al., 2021). Consistent herewith, research shows that narcissism is positively associated with professional skepticism (Janssen et al., 2021). Hobson et al. (2020) also suggested assigning partners scoring high on the "dark" personality traits (i.e., narcissism, psychopathy, and Machiavellianism) to more persuasive and demanding clients. Second, narcissists constantly focus their efforts on getting positive feedback (Morf & Rhodewalt, 2001) and ways to maintain and increase their positive self-image (Campbell et al., 2006; Morf & Rhodewalt, 2001). Avoiding reporting failures most likely stirs this up. In addition, this can also encourage them to work hard and gain more expertise. Further, because narcissists do not like being thwarted (Hopwood et al., 2011), narcissistic partners are likely more sensitive to clients withholding information that could

obstruct their reporting decisions. Finally, narcissistic auditors may work more effectively because narcissists have a competitive nature (Church et al., 2020; Luchner et al., 2011).

Contrary to previous arguments, narcissism could also lead to audit reporting decisions of lower quality. For example, narcissistic partners could be willing to lower their independence and accept weaker explanations from clients to avoid the loss of clients, as having many important clients can increase a narcissistic auditor's self-image. Narcissism can also negatively affect auditor competence as narcissists generally overrate their intelligence (Gabriel et al., 1994). Auditors scoring high on narcissism are also more likely to underestimate client risk, especially when dealing with a narcissistic CFO (Johnson, Lowe, & Reckers, 2021). Narcissistic auditors also tend to be less efficient as they unnecessarily delay the audit process (Church et al., 2020). Further, when someone else performs better than the narcissist, the narcissist starts to talk bad about that person (Morf & Rhodewalt, 2001). Such behavior may devalue other team members' expertise and undermine potential learning, impeding the audit team's effectiveness. These arguments suggest that partner narcissism could adversely affect audit reporting decisions.

Private Firms

CPZ show that partner narcissism is positively associated with audit reporting decisions in a market dominated by public firms. However, given the contextual differences in the supply of audit services to public versus private firms (Langli & Svanström, 2014), 'it is not apparent without testing that [CPZ's] results for public firms will generalize to private firms' (Hope et al., 2012, p. 501). In particular, there are both arguments for expecting this positive association to be weaker (or nonexistent) and for expecting it to be stronger in a market dominated by private firms.

On the one hand, the positive association between partner narcissism and audit reporting decisions for public firms could be weaker (or nonexistent) in a market dominated by private

firms. Research suggests that auditors experience lower reputation costs for audits of private firms, (Badertscher et al., 2014; DeFond & Zhang, 2014; Hay et al., 2006). In particular, private firms get less attention from the media (Schultz et al., 2001) and less scrutiny from market participants (Michaely & Roberts, 2012). Hence, auditors' reputation is less sensitive to reporting failures of private clients (Langli & Svanström, 2014). As discussed earlier, the drive to avoid feeling inferior protects narcissists from achievement failures or other actions that may harm their reputation. In a private market context, however, narcissistic partners may be less worried about the loss of reputation. Therefore, reporting differences between less and more narcissistic partners could be smaller (or nonexistent) in the context of private firm audits.

Furthermore, public clients are considered more prestigious than smaller, private clients (Hardies, Lennox, et al., 2021). As narcissists are constantly looking for ways to enhance their status (Zeigler-Hill et al., 2019), they are less likely to find their narcissistic gratification in audits of private firms and might therefore put less effort into these audits. Finally, economic bonding between auditors and their private clients is weaker because auditors have many such clients, and their audit fees are much lower than those of public firms (e.g., Hope & Langli, 2010). Because the positive effect of partner narcissism is less pronounced in situations where auditor independence is less likely to be compromised (Chou et al., 2021), the association between partner narcissism and audit reporting decisions could be weaker (or nonexistent) in private firms.

On the other hand, the positive association between partner narcissism and audit reporting decisions could also be stronger in a private firm context. Social bonding, due to long-term relationships, familiarity, and local anchoring, is typically more important in the context of private firms (Langli & Svanström, 2014). Such bonding potentially makes auditor independence more of a concern for audits of private firms. Thus, the association between partner narcissism and audit reporting decisions could also be stronger in a private firm context

– again, the effect of partner narcissism is more pronounced in situations where auditor independence is more likely to be compromised (Chou et al., 2021).

Moreover, the audits of private firms are subject to less stringent and elaborated control mechanisms (Francis et al., 2014; Langli & Svanström, 2014). In settings with less standardized processes and robust quality control structures, the positive effect of partner narcissism could be stronger because such processes and control mechanisms reduce the impact of individual audit partners on the audit process and outcomes. Consistent herewith, CPZ found a weaker association between partners' narcissism and audit reporting decisions among clients of the Big 4 firms, who have more standardized audit procedures.

Collectively, the lower reputation risk and the lower risk of economic bonding in audit markets dominated by private clients suggest that the positive association between partner narcissism and audit reporting decisions is lower (or even nonexistent) for audits of private clients than for public clients. Conversely, the increased threats to independence due to social bonding and the less sophisticated control mechanisms in such a context suggest that this positive association would be stronger in the context of private clients. We aim to investigate if the positive association between partner narcissism and audit reporting decisions, found by CPZ, is also present in markets dominated by private firms. Our discussion suggests that in the context of private firms, such a positive association could be both weaker (or nonexistent) and stronger. However, there are no arguments to expect that this association would be negative. Therefore, we hypothesize that:

H1: *Partner narcissism is positively associated with audit reporting decisions in a market dominated by private firms.*

Narcissism and Audit Fees

Auditors' narcissism impacts auditor-client negotiations (Church et al., 2020). More narcissistic partners have a potential advantage when negotiating with clients because they

make good first impressions (Back et al., 2010) and are perceived as more physical attractive compared to people scoring lower on narcissism as they pay more attention to their appearance (Buffardi & Campbell, 2008; Holtzman & Strube, 2010; Vazire et al., 2008). More in detail, more attractive partners enjoy greater bargaining power in partner-client negotiations due to greater social status, competence, and influence (Sheneman & Barton, 2021). In turn, this may help more narcissistic partners to negotiate higher audit fees. Further, narcissists do whatever it takes to be the very best (Luchner et al., 2011), implying that narcissistic partners might spend more hours on one audit. Additionally, their urge to maintain and enhance their self-image (see Campbell et al., 2006; Morf & Rhodewalt, 2001) may contribute to them staffing more people on engagements than strictly necessary, as leading bigger engagement teams might boost their ego.

Considering specific facets of narcissism, the psychological literature hints at various potential associations between specific facets and audit fees.[2] For example, exploitativeness (Raskin & Terry, 1988) could urge narcissistic audit partners to do anything they can to withdraw more fees from their clients. Furthermore, due to their enlarged sense of superiority and entitlement (Raskin & Terry, 1988), narcissistic audit partners may feel more empowered to ask for higher fees. Relatedly, research shows that narcissism is associated with higher salaries (Jonason et al., 2018; Paleczek et al., 2018; Spurk et al., 2016; Wille et al., 2013). This discussion suggests a positive association between partner narcissism and audit fees. Therefore, we formulate the following hypothesis:

H2*: Partner narcissism is positively associated with audit fees in a market dominated by private firms.*

[2] The seven facets of narcissism are authority, entitlement, exhibitionism, exploitativeness, self-sufficiency, superiority, and vanity (Raskin & Terry, 1988).

III. MATERIALS AND METHODS

The Belgian Setting

We conduct this study using Belgian data for several reasons. First, following EU directives, firms in Belgium are required by Company Law to have their financial statements audited by a registered auditor if they are "large" (i.e., meet specific size criteria).[3] Because the thresholds of these criteria are not that high, many relatively small (private) firms are legally required to appoint a statutory auditor. Second, the name and signature of the engagement partner have been disclosed in the auditor's report since 2007 (European Audit Directive 2006/43/EC). Third, we can obtain signatures from all Belgian auditors who sign off audit reports because the financial statements of all audited firms are publicly available through the National Bank of Belgium (NBB). This requirement also allows us to investigate the entire Belgian audit market (unlike many other settings where information is only available for listed firms). Fourth, prior research suggests that narcissism affects career decisions (e.g., starting at a Big 4 firm) in the Belgian accounting profession (Kerckhofs et al., 2021). Therefore, we further investigate its role in other decisions in the context of public accounting.

Partner's Narcissism

To investigate the effects of partner narcissism on auditor reporting decisions and audit pricing, we measure, in line with prior research (e.g., Ham et al. 2017, 2018), narcissism as the relative size of the audit partner's signature. The relationship between narcissism and signature size originates in the research field of graphology (Bell, 1948; McNeal, 1967), which is "the study and analysis of handwriting, usually to assess personality" (Driver et al., 1996, p. 78).[4] Research on narcissism, mainly focused on signature size, which knows a long history. First,

[3] In Belgium, firms must be audited when they exceed more than one of the following thresholds: number of employees (yearly average) = 50; turnover (revenue) (excl. VAT) = €7,300,000 (before 2016)/€9,000,000 (since 2016); total assets = €3,650,000 (before 2016)/€4,500,000 (since 2016). Additionally, public firms (and before 2016, firms with more than 100 employees) are always considered large.

[4] This method of analyzing personality is, however, widely criticized by researchers (see e.g., Dazzi & Pedrabissi, 2009; Driver et al., 1996; Fluckiger et al., 1961).

there are several links between correlates of narcissism and signature size. For example, early research documents an increase in signature size as a result of an increase in self-esteem (Zweigenhaft, 1977; Zweigenhaft & Marlowe, 1973) and (awareness of) status (Swanson & Price, 1972; Zweigenhaft, 1970, 1977; Zweigenhaft & Marlowe, 1973). Further, research found a positive association between signature size and dominance (Jorgenson, 1977) and a sense of superiority and uniqueness (Snyder & Fromkin, 1977). All of these correlates of narcissism are also positively associated with narcissism measured by the NPI-40 questionnaire (see e.g., Brown & Zeigler-Hill, 2004; Ham et al., 2017; Paulhus & Williams, 2002; Raskin & Terry, 1988).[5] More recently, research also shows a positive association between signature size and a person's degree of narcissism measured by this aforementioned questionnaire (Chou et al., 2021; Ham et al., 2017, 2018; Mailhos et al., 2016; O'Reilly III et al., 2018). Since signature size as a measure for narcissism has been widely validated, nowadays many researcher do no longer feel the urge to include the NPI-40 questionnaire in addition to the signature size (see e.g., Aabo et al., 2021; Chen et al., 2021; Kind et al., 2023; Takada et al., 2021; Zhou, 2001). Further, the use of signature size as a measure for the level of narcissism has been validated in the accounting setting before (Ham et al., 2017). Therefore, we follow existing research and use audit partners' signature size as a proxy for their level of narcissism. More precisely, we first measured an audit partner's signature from a signed audit report by constructing a rectangle around the signature (of which each side touches the extremity of the signature) using the program PDF-Xchange Editor.[6] Following prior research, we then divided this

[5] The NPI-40 is the most widely used personality measure for (non-clinical levels of) trait narcissism (see e.g., Briganti & Linkowski, 2020; Miller et al., 2018). This questionnaire has been widely validated (see e.g., Hasanvand et al., 2015; Raskin & Terry, 1988).

[6] As suggested by Ham et al. (2017, 2018), we took the area per signature in square centimeters. Because CPZ studied names in Chinese characters, they took a different approach and constructed a rectangle around each character of the signature to determine the area of each character and summed up all the areas to obtain the signature area in square centimeters. Therefore, our descriptive statistics of the signature measure differ from the ones of CPZ. This does not affect our further analyses. Further, in line with CPZ, we only collected hand-written signatures since the size of electronically inserted signatures might be manipulated.

measurement by the number of characteristics in the audit partner's name to account for differences in name length (e.g., Chou et al., 2021; Church et al., 2020; Takada et al., 2021).[7,8]

Audit Reporting Decisions

We follow prior research to analyze audit reporting decisions and rely on going-concern opinions (e.g., Blay & Geiger, 2013; DeFond et al., 2002; Hardies et al., 2016; Knechel & Vanstraelen, 2007). We estimate the following logistic model:

$$GCO_{it} = \alpha + \beta_1 PARTNER\_NARC_{i,t} + x_{i,t}^{'} X + x_{i,t}^{'} Z + Industry\ and\ Year\ FE + \varepsilon_{i,t} \quad (1)$$

where *GCO* is a dichotomous variable equal to 1 if a client firm *i* received a going-concern opinion in year *t*, and 0 otherwise. To test our first hypothesis, we use *PARTNER_NARC*, a continuous variable measuring the audit partner's relative signature size (our proxy for narcissism). We control for both client-specific (vector X) and auditor-related (vector Z) characteristics found to be related to the propensity of an auditor to issue a GCO in prior studies (see Carson et al., 2013). $\varepsilon_{i,t}$ is the regression error term. Table 1 lists the variables used in the empirical model.

Audit Pricing

For our audit fee analyses, the following OLS model is estimated based on prior literature (e.g., Hardies et al., 2015; Hay et al., 2006; Minutti-Meza, 2013; Simunic, 1980):

$$LAF_{i,t} = \alpha + \beta_1 PARTNER\_NARC_{i,t} + x_{i,t}^{'} X + x_{i,t}^{'} Z + Industry\ and\ Year\ FE + \varepsilon_{i,t} \quad (2)$$

[7] To determine if the signature size differs randomly across audit reports of the same individual, we collected signatures from three different audit reports for a random sample of 20 audit partners. Untabulated results show that audit partners' signature sizes from different audit reports are very highly correlated (r = [0.80;0.93]) and that the size of an individual's signature does not depend on the time of measurement or the client. These results are in line with those of CPZ. Further, to determine whether the size of the signature might be manipulated by the space available or the layout of the audit report, we collected signatures from four different audit reports for the partners who switched audit firms during the timeframe of this research (2008-2017) (n = 88). Untabulated results show again that audit partners' signature sizes from different audit reports of different firms are very highly correlated (r = [0.70;0.94]) and that the size of an individual's signature does not depend on the available space or the audit firm.

[8] In Belgium, the use of middle names or both a maiden and married name is very rare. Therefore, we do not control for these in our analyses.

where *LAF* is the natural logarithm of the audit fee from the client firm *i* in year *t*. To test our second hypothesis, we again use *PARTNER_NARC*. We control for both client-specific (vector X) and auditor-related (vector Z) characteristics found to be related to audit fees in prior studies (see Hay et al. 2006). $\varepsilon_{i,t}$ is the regression error term. Table 1 lists the variables used in the empirical model.

Furthermore, we include industry and year fixed effects in all models.[9] To correct for heteroscedasticity and serial dependence, we use robust standard errors adjusted for clustering by firm (Petersen, 2009).

[Table 1 around here]

Data Sources and Sample Selection

Data come from three primary sources. First, we manually collected information on going-concern opinions and audit partners' signatures from the auditor's report to measure narcissism. These audit reports are deposited together with the financial statements at the National Bank of Belgium and are publicly available for all audited firms in Belgium. Second, financial statement data come from the Bel-First database from Bureau van Dijk. Third, information on the individual engagement partners was hand-collected from the public register of the professional body of Belgian auditors.

Table 2 shows our sample selection process. The GCO (fee) analyses use a sample of 78,994 (133,267) firm-year observations from 19,482 (24,160) unique client firms and 785 (795) unique individual engagement partners over the whole sample period. We start with 194,667 client-year observations in 2008–2017. As in prior research, we restricted our GCO analyses to financially distressed firms (e.g., DeFond et al., 2002; Hardies et al., 2018; Lim & Tan, 2008; Reynolds & Francis, 2001). We define financially distressed firms as firms with either: (1) an

[9] We do not add audit partner fixed effects to our models because all of our variation is cross-sectional (i.e., partner narcissism is a stable trait).

operational loss, (2) a bottom-line loss, (3) negative retained earnings, or (4) negative working capital (Hardies et al., 2016, 2018; Hopwood, McKeown, & Mutchler, 1994; Mutchler, Hopwood, & McKeown, 1997). In line with prior research (e.g., Hardies et al. 2015, 2016, 2018), we deleted observations with more than one engagement partner (joint audits), observations from financial institutions and public administrative institutions, and observations with missing data for the empirical models.[10] To avoid extreme values, we winsorized all continuous variables at the top and bottom 1 percent throughout all analyses.[11]

[Table 2 around here]

IV. RESULTS

Descriptive Statistics and Univariate Results

Our sample contains data from 795 unique audit engagement partners. Table 3 provides descriptive statistics at the audit partner level. The average (median) relative signature size is 1.16 (0.93) cm per character. The smallest average relative signature size per character is 0.14 cm, whereas the largest is 3.99 cm. Concerning auditor characteristics, about 84 percent of the engagement partners are men and 29 percent work for a Big 4 firm. Partners in our sample are on average certified for 15 years and have 33 clients per year.

[Table 3 around here]

Table 4 provides descriptive statistics for all variables used in this study at the firm-year level. Panel A shows that for the GCO sample (n = 78,994), the probability of an auditor issuing a GCO to a financially distressed client is about 30 percent, which is comparable with prior studies using Belgian data (e.g., Carcello et al., 2009; Hardies et al., 2016; Knechel & Vanstraelen, 2007). Panel B shows that for the fee sample (n = 133,267), the mean (median) value for *AF* is €11,960.04 (€6,365). The average audit fees are lower than in studies using

[10] Financial institutions (NACE codes 64, 65, 66) are excluded because of their specific accounting requirements, which differ substantially from those of industrial and commercial firms. Public administrative institutions (NACE code 84) are excluded because of their specific nature.
[11] Our reported findings are not sensitive to this choice.

public clients data (e.g., Abbott et al., 2003a, 2003b; Carcello et al., 2002) but comparable to other studies focusing on private clients (e.g., Hardies et al., 2015). For both samples, the descriptive statistics for the control variables are consistent with prior research (e.g., Hardies et al., 2016; Knechel & Vanstraelen, 2007). Panel C presents the mean statistic of all variables used in this study by the quintile of partner narcissism for the GCO and fee sample separately. There is a significant difference for *GCO* between the top and bottom narcissism (*PARTNER_NARC*) quintiles, but not for *AF*.

[Table 4 around here]

Table 5 reports correlations between all variables at the 0.01 level, both for the GCO sample (Panel A) and the fee sample (Panel B). Panel A shows that all independent variables significantly correlate with *GCO*, except for *MALE*, *SPEC_FIRM*, and *OFFICE_SIZE*. *PARTNER_NARC* correlates only very weakly with *GCO* (r = 0.03). The largest VIF is just higher than 4, suggesting that multicollinearity is not a problem in our data (Menard, 1995). Panel B shows that all independent variables correlate significantly with *LAF*. *PARTNER_NARC* correlates only very weakly with *LAF* (r = 0.01). The largest VIF is 3.11, suggesting that multicollinearity is not a problem in our data (Menard, 1995).

[Table 5 around here]

Multivariate Results

Table 6 presents the results of estimating Eq. (1) and Eq. (2). Columns (2) – (4) show the results when the dependent variable is *GCO*. The likelihood ratio for the GCO analysis is statistically significant (p = 0.000), and the Nagelkerke R^2 is 39.70 percent. The estimated coefficient for partner narcissism (*PARTNER_NARC*) is positive (z--stat. = 5.78), suggesting that narcissistic partners have a higher propensity to issue GCOs. This result is consistent with H1. In terms of economic magnitude, the predicted probability of the issuance of a GCO is 26.5

percent for a partner at the 10th percentile and 28.3 percent for a partner at the 90th percentile.[12] Results for most control variables are as expected and in line with prior research.

Columns (5) – (7) show the results when the dependent variable is *LAF*. The R^2 is 61.84 percent for this analysis. The estimated coefficient for partner narcissism (*PARTNER_NARC*) is positive (*t*-stat. = 3.04) and significant (p = 0.000), suggesting that narcissistic partners receive higher audit fees. This result is consistent with H2. In terms of economic magnitude, the predicted value of *LAF* is 8.83 for a partner at the 10th percentile, while it is 8.86 for a partner at the 90th percentile.[13] Results for most control variables are as expected and in line with prior research. (Bédard et al., 2022)

Overall, we find small but positive associations between partner narcissism and *GCO* and *LAF*.[14] We are unable to compare the regression coefficients or the economic magnitude across CPZ's and our study because CPZ did not report the descriptive statistics on the GCO analyses that are necessary to calculate the aforementioned statistics. Therefore, we are not able to make any exact statements on whether the positive effect of partner narcissism on audit quality is weaker, equal, or even stronger in the private market setting compared to the public market setting. However, the economic significance of CPZ's other analyses on audit quality (i.e., abnormal accruals, firm-level residuals, and restatements) as well as their associations between partner narcissism and audit quality are comparably low.

[Table 6 around here]

[12] The predicted probability of the issuance of a GCO is 26.6 percent for a partner at the 25th percentile and 27.5 percent for a partner at the 75th percentile. *PARNTER_NARC* at the 10th, 25th,75th, and 90th percentile equal respectively 0.40, 0.61, 1.57, and 2.40.
[13] The predicted value of *LAF* is 8.84 for a partner at the 25th percentile, while it is 8.85 for a partner at the 75th percentile. *PARNTER_NARC* at the 10th, 25th,75th, and 90th percentile equal respectively 0.40, 0.61, 1.57, and 2.40.
[14] That the economic magnitude of these effects is moderate is to be expected because audit partner effects are constrained by audit firms' control mechanisms that standardize their processes (Bédard et al. 2022). This is especially true for audit fees. Audit partners have little room to determine the audit fees for clients with certain characteristics.

Additional Analyses

Gender

Table 7 reports the results from the supplemental analyses we conducted to examine whether the results are different for female and male audit partners. Prior research (e.g., Foster et al., 2003; Grijalva et al., 2015; Ingersoll et al., 2019) shows that men score higher on narcissism than women and that gender moderates the role of narcissism on risk-taking and questionable behaviors. Consequently, narcissistic female CEOs are less likely to undertake bold and unethical actions than narcissistic male CEOs (Ingersoll et al., 2019). Further, there is evidence that female audit partners receive higher fees (e.g., Hardies et al., 2015; Hardies, Lennox, et al., 2021; Lee et al., 2019) and are associated with higher audit quality (e.g., Ittonen et al., 2013).

Results show that the association between partner narcissism and audit reporting decisions and audit pricing differs for female and male partners in the GCO and fee analyses. We find negative associations for female partners (*GCO*: β = -0.187, p = 0.002; *LAF*: β = -0.048, p = 0.001), but positive associations for male partners (*GCO*: β = 0.101, p = 0.000; *LAF*: β = 0.018, p = 0.000).[15] These results are surprising, as in the main analysis, there is a negative association between male auditors and both audit reporting decisions and audit pricing. This indicates that narcissism reverses the association between gender and both outcome variables.

In terms of economic magnitude, the predicted probability of the issuance of a GCO is 26.2 percent for a male partner at the 10th percentile and 28.4 percent for a male partner at the 90th percentile. For female audit partners, the predicted probability of the issuance of a GCO is 29.5 percent for a female partner at the 10th percentile and 26.8 percent for a female partner at the 90th percentile.

[15] These results are comparable to the untabulated results of a regression analysis with an interaction term between audit partners' level of narcissism and their gender.

The predicted value of *LAF* is 8.82 for a male partner at the 10th percentile and 8.86 for a male partner at the 90th percentile. For the female audit partners, the predicted value of *LAF* is 8.91 for a female partner at the 10th percentile and 8.85 for a female partner at the 90th percentile.

[Table 7 around here]

Audit Errors

To further examine the association between partner narcissism and audit reporting decisions, we also examine if partner narcissism is associated with audit reporting "errors". An audit reporting "error" occurs when the partner issues a GCO to a firm that subsequently does not go bankrupt (i.e., a Type I error) or when the partner does not issue a GCO to a firm that subsequently goes bankrupt (i.e., a Type II error). We determined which firms ceased to exist one year beyond the financial statement date to test for these errors.[16] Our sample contains 18,834 firm-year observations (27 percent) with a Type I error and 2,075 firm-year observations (74 percent) with a Type II error. In line with prior research (e.g., Chou et al., 2021; DeFond et al., 2002; Myers, Schmidt, & Wilkins, 2014), we reran our Model (1) separately for the bankruptcy and non-bankruptcy sample. Our non-bankruptcy sample (i.e., Type I errors) consists of 68,741 firm-year observations. Our bankruptcy sample (i.e., Type II errors) consists of 2,789 firm-year observations. Table 8 shows the results of the logistic regression model for the $bankruptcy_{t+1}$ and $non\text{-}bankruptcy_{t+1}$ samples. The results suggest that more narcissistic partners are more likely to commit Type I errors and are less likely to commit Type II errors. The results of our analysis on Type II errors are in line with those of CPZ. However, our results for Type I errors differ from theirs. CPZ did not find an overall association

[16] In line with Hardies et al. (2018), we deleted firms that ceased to exist for reasons other than bankruptcy (e.g., mergers and acquisitions) from this sample. Our results are unaffected by this decision.

between partner narcissism and GCO reporting or specifically with Type I errors.[17] However, our results corroborate their main finding that partner narcissism is positively associated with audit quality, as the issuance of a GCO is a signal of quality. Specifically, it is a measure often used by researchers (e.g., DeFond et al., 2002; Hardies et al., 2016; Knechel & Vanstraelen, 2007), and both audit professionals and investors associate Type I errors with higher audit quality (Aobdia, 2019; Christensen et al., 2016).

[Table 8 around here]

Due to the interesting results of our gender analysis, we tested if these results carried over to our audit error analysis. Untabulated results show that male partners who are more narcissistic are more likely to commit Type I errors (β = 0.090, p = 0.000). In contrast, female partners who are more narcissistic are less likely to commit Type I errors (β = -0.203, p = 0.002). The results of our analysis on Type II errors show that male partners who are more narcissistic are less likely to commit Type II errors (β = 0.324, p = 0.000). In contrast, we found no significant association between female partners and Type II errors (β = 0.473, p = 0.161).

Sensitivity Analyses

To verify the robustness of our results, we conduct several additional sensitivity analyses. First, we focus on how we measured the signature size. Like CPZ, we test if our results change when using the absolute signature size instead of the relative signature size. Results from these analyses are in line with results using the relative signature, except that *PARTNER_NARC* becomes statistically insignificant for the fee analysis (*LAF*: β = 0.000, p = 0.498). In line with Mailhos et al. (2016), we also test if our results change when using the square root of the

[17] While the occurrence of GCOs (27 percent) and Type I errors (27 percent) in our sample is in line with prior research in the same setting (e.g., Hardies et al., 2018), these occurrences are substantially higher than in CPZ's setting. In particular, CPZ report on average 4 percent GCOs and 3 percent type I errors. The lower incidence of GCOs and Type I errors in CPZ's sample might explain why they do not find an effect of partner narcissism on both audit quality measures (Bergtold et al., 2018).

signature size instead of the relative signature size. These untabulated results are in line with our main analyses, confirming the robustness of our findings.

For the GCO analysis, we re-estimated our models with first-time going-concern opinions only (n = 60,679) (e.g., DeFond et al., 2002; Hardies et al., 2018). Untabulated results are in line with the results in our main analyses.[18] Further, in line with Gul et al. (2013), we control for audit reporting aggressiveness by creating a new dependent variable that reports the predicted probability of issuing a GCO minus the actual value of GCO. Higher (lower) values signify more aggressive (conservative) reporting from the auditor. Untabulated results show that narcissistic partners are more conservative, which is in line with our results from our audit errors analysis (Type I errors).[19]

Next, following CPZ, we test for differences between Big 4 and non-Big 4 audit firms by interacting *PARTNER_NARC* and *BIG4*. Because Big 4 firms have more elaborated quality control systems and standardized work procedures, individual audit partner characteristics such as narcissism could have less impact on audit reporting decisions and audit pricing in such firms (e.g., Gul et al. 2013). For the GCO analysis, we do not find different effects of partner narcissism on audit reporting decisions for Big 4 and non-Big 4 clients (β = 0.022, p = 0.437). For the audit fee analysis, we find that the effect of partner narcissism on audit pricing is larger in Big 4 firms (β = .017, p = 0.041).[20]

Further, we control for time-invariant characteristics of the client by including firm fixed effects in our analyses. For both the GCO and the fee analyses, our results remain unchanged.[21]

[18] To determine whether there were first-time going concern opinions in 2008, we hand-collected additional data on audit opinions for the year 2007.
[19] In line with our results from our audit errors analysis that distinguished between female and male partners, our sensitivity analyses show that the association between narcissistic partners and reporting conservatism also only holds for male partners. In contrast, female narcissistic partners are more aggressive in their reporting.
[20] Due to the low number of listed firms in our samples (610 (760) in the GCO (fee) sample), we were not able to test for differences between listed and non-listed firms. Our results however remain robust when limiting our sample to the non-listed firms only.
[21] Due to the binary nature of our dependent variable (GCO), the *GCO* analysis results in the loss of 46.837 observations (GCO is constant for 73 percent of the firms in our sample).

Finally, we test if our results are biased by the possibility of non-random matching between partners scoring high on narcissism and higher quality clients because more narcissistic partners may differ systematically from less narcissistic partners. We have already accounted for several client and audit partner characteristics in our main analyses, but there remains the possibility that the used functional form is incorrect. We address this by using 1) propensity score matching (PSM) (Shipman et al., 2017) and 2) entropy balancing (Hainmueller, 2012; Zhao & Percival, 2017) to match the clients of partners scoring high on narcissism to the clients of partners scoring low on narcissism based on partners' and clients' observable characteristics.[22] For the PSM analysis, we first estimate a client assignment model for the full sample in which the dependent variable is *PARTNER_NARC*. We estimate our model using client characteristics, audit partner characteristics, and audit firm characteristics. Table 9 shows the results from the PSM analysis, where we used one-to-one matching without replacement and with a caliper of 0.03. The PSM sample comprises 61,896 (103,628) observations for the GCO (fee) analysis. Afterward, we re-estimate the *GCO* and *LAF* regressions using the matched sample. We again find a positive association between partner narcissism and audit reporting decisions for the GCO (z-stat. = 4.47) and audit pricing for the *LAF* analysis (t-stat. = 7.01).

[Table 9 around here]

For the entropy balancing analysis, the covariates of the mean, variance, and/or skewness between the treatment and the control sample are being balanced to establish the weights for the control sample (Hainmueller, 2012). We use this analysis to balance covariates on the means of all control variables between both sub-samples (partners scoring high on narcissism versus partners scoring low on narcissism).[23] Table 10 shows the results from the entropy

[22] We defined partners scoring high (low) on narcissism as partners whose relative signature size is above (at or below) the average relative signature size of 1.20 cm per character for both the GCO and fee analysis.
[23] Our results remain robust when balancing for the mean, variance, and skewness.

balancing analysis. We again find a positive association between partner narcissism and auditor GCO reporting decisions (z-stat. = 5.19) and audit pricing (t-stat. = 10.41).

[Table 10 around here]

The results remain robust in almost all the above research design choices. In conclusion, the additional sensitivity tests provide the same conclusion as the tabulated results: there is evidence of a narcissistic audit fee premium and an association between partner narcissism and audit reporting decisions.

V. DISCUSSION AND CONCLUSION

We examined audit partner narcissism to enhance our understanding of audit reporting decisions and audit pricing at the audit partner level. To the best of our knowledge, this study is the first to investigate these associations in a market dominated by private firms. We analyzed samples of going-concern opinions (n = 78,994) and audit fees (n = 133,267) of audit firms' clients. We used unique data from Belgium, a setting where we can identify audit partners' identities for all audit engagements. We measured partner narcissism based upon the size of partners' signatures in their audit opinions.

Our results show a positive association between partner narcissism and going-concern opinions and audit fees. These results suggest that engagement partners' personality matters for audit reporting decisions and audit pricing, despite attempts to standardize the audit process through regulation and quality control mechanisms. The positive associations between partner narcissism and audit reporting decisions align with results from CPZ, who documented positive associations between narcissism and various audit quality measures. Further, additional tests show that narcissists' better reporting is mainly driven by their conservatism. In line with CPZ, we also find that narcissistic audit partners are more independent than less narcissistic partners. Our results suggest that while litigation and reputation risk are lower (but still exist) in markets dominated by private firms (Hope & Langli, 2010), narcissistic partners are nonetheless

concerned about their independence, pushing them to their very best. Our results on audit fees show a positive but small association with partner narcissism. More narcissistic partners may be able to demand higher audit fees due to their stronger negotiation power (Church et al., 2020). Interestingly, narcissism reverses the effect of gender on audit reporting decisions and audit pricing. Our additional tests show that the positive association between partner narcissism and audit reporting decisions and audit pricing only holds for male engagement partners. There is a negative association between partner narcissism and both audit reporting decisions and audit fees for female engagement partners. Furthermore, for the audit reporting decisions, we see that male narcissistic partners are rather conservative while female narcissistic partners are rather aggressive in their reporting. These results are in line with prior research of top managers where there has been found that gender moderates the role of CEO narcissism on bold and unethical actions (Ingersoll et al., 2019). Research also found that narcissistic women, compared to narcissistic men, are more likely to suppress displays of narcissistic behavior (Grijalva et al., 2015). In addition, narcissistic, female leaders are perceived by other employees as less effective leaders compared to narcissistic, male leaders (De Hoogh et al., 2015). Maybe the same goes up for clients' perception about female audit partners which makes them less willing to pay a fee premium for narcissistic, female audit partners compared to narcissistic male partners.

Our study is subject to several limitations. First, we use an indirect measure of narcissism. Future research could use more direct measures of narcissism, like the NPI-40 questionnaire (Raskin & Terry, 1988). However, prior research suggests that signature size is a reliable measure of narcissism (e.g., Chou et al., 2021; Ham et al., 2017, 2018; Mailhos et al., 2016). Furthermore, using an indirect measure of narcissism avoids encumbering audit partners with lengthy questionnaires. Notwithstanding, using signature size as a proxy for narcissism will become harder to collect in the auditing setting as more and more audit partners, especially

since the corona pandemic, try to protect themselves against identity theft and sign the audit report digitally trough e-readers or sign the audit report by hand but omit the signature in the document that will be made publicly available. Moreover, this measure also does not allow the examination of specific facets of narcissism. To improve our understanding of the association between narcissism and auditor behavior, future research could try to examine specific facets of narcissism by using different measures. Second, while it would be interesting to examine if narcissism is associated with other, more direct measures of auditor independence or audit quality (e.g., restatements), such measures are unavailable in our setting. Audit fees have the advantage of low measurement error but are affected by supply and demand factors (DeFond & Zhang, 2014). Unfortunately, we cannot measure CFO and CEO narcissism in our setting, although it may affect audit fees (cf. Xiang & Song, 2021). Third, we cannot directly compare the role of narcissism on audit reporting decisions and audit pricing between public and private firms. There are very few listed firms in the Belgian setting. We can also not directly compare our results' statistical or economic significance with those of CPZ due to different measures and only limited details on their GCO statistics. Future research could investigate this in a setting that allows a direct comparison of public and private firms. Fourth, we did not investigate if clients can identify a narcissistic partner and benefit from such identification accordingly. Therefore, future research could focus on the relationship between audit partner narcissism and the demand for auditing. Fifth, prior research in accounting suggests that hiring a more narcissistic individual can lead to adverse outcomes such as counterproductive work behaviors (Kerckhofs et al., 2021) and audit delay (Church et al., 2020). However, the results of the current study suggest that narcissism may also be associated with more positive outcomes. Therefore, we suggest that future accounting research on "dark" personality traits such as narcissism focuses on positive and negative outcomes. Sixth, future research should also elucidate why the association between narcissism and audit reporting and pricing differs

for female and male engagement partners. Separately investigating grandiose and vulnerable narcissism (Weiss & Miller, 2018) may explain these different results for female and male partners. Lastly, as narcissism seems beneficial for audit reporting decisions and pricing, future research could also investigate if audit firms take personality into account when hiring and promoting auditors.

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Table 1.

Variable Definitions.

Variable	Definition	Data Source
Dependent variables		
GCO	Dummy variable: *GCO* = 1 in case firm *i* receives a going-concern opinion in year *t*, and 0 otherwise.	Audit opinion
LAF	Natural logarithm of audit fee in thousands of euros.	Bel-first
Independent test variable		
PARTNER_NARC	Size of the audit partner's signature in cm² divided by the number of characteristics in the audit partner's name as proxy for narcissism.	Audit opinion
Client-specific control variables		
AF	Audit fee in euros.	Bel-first
AGE	Age of firm *i* in year *t* measured in years.	Bel-first
CATA	Firm's *i* current assets over total assets in year *t*.	Bel-first
CURRENT	Firm's *i* current assets over current liabilities in year *t*.	Bel-first
DSCORE	Score for bankruptcy risk of firm *i* in year *t,* measured by using a standardized bankruptcy prediction model developed for Belgian firms. A higher score indicates a healthier firm.	Bel-first
IRISK	The sum of firm's *i* inventories and receivables scaled by total assets in year *t*.	Bel-first
LEV	Firm's *i* total liabilities deflated by total assets in year *t*.	Bel-first
LISTED	Dummy variable: *LISTED* = 1 in case firm *i* is listed in year *t*, and 0 otherwise.	Bel-first
LNAS	Natural logarithm of non-audit fees in thousands of euros.	Bel-first
LNSALES	Natural logarithm of firm's *i* total sales in year *t* in million euros.	Bel-first
LOSS	Dummy variable: *LOSS* = 1 in case firm *i* experienced a loss in year *t*, and 0 otherwise.	Bel-first
TA	Firm's *i* total assets in year *t* in thousands of euros.	Bel-first
LTA	The natural logarithm of firm's *i* total assets in year *t* in thousands of euros.	Bel-first
MAO	Dummy variable: *MAO* = 1 in case firm *i* received a modified audit opinion in year *t*, and 0 otherwise.	Audit opinion
PRIOR_GCO	Dummy variable: *PRIOR_GCO* = 1 in case firm *i* received a going-concern opinion in year *t-1*, and 0 otherwise.	Audit opinion
ROA	Firm's *i* net income divided by total assets in year *t*.	Bel-first
Auditor-specific control variables		

BIG4	Dummy variable: *BIG4* = 1 in case of a Big 4 auditor, and 0 otherwise.	Bel-first
BUSY	Dummy variable: *BUSY* = 1 in case the auditor ranks among the top 20 percent of partners based on the number of assignments, and 0 otherwise.	Bel-first
CLIENT_IMP	Ratio of Firm's *i* audit and nonaudit fees to the individual auditor's total fees from all clients in year *t*.	Bel-first
EXPERIENCE	Number of years since firm's *i* audit partner was certified in year *t*.	Public register of auditors
MALE	Dummy variable: *MALE* = 1 in case firm's *i* auditor is a male auditor in year *t*, and 0 otherwise.	Public register of auditors
NUM_CLIENTS	The number of clients firm's *i* audit partner audits in year *t*.	Bel-first
OFFICE_SIZE	Number of registered auditors in the office where firm's *i* auditor is affiliated in year *t*.	Public register of auditors
PORTFOLIO	The natural logarithm of firm's *i* audit partner's total audited total assets in year *t*.	Bel-first
SPEC_PARTNER	Dummy variable: *SPEC_PARTNER* = 1 in case firm *i*'s auditor is an industry specialist in one or more two-digit SIC category in year *t*, and 0 otherwise. An audit partner is designated as an industry specialist in a particular year if (1) the auditor has the largest or second-largest market share (based on audit fees) in a two-digit SIC catergory and if (2) the auditor audited at least five clients within that industry.	Bel-first
SPEC_FIRM	Dummy variable: *SPEC_FIRM* = 1 in case firm *i* is audited by audit firm industry specialists in year *t*, and 0 otherwise. An audit firm is designated as an industry specialist in a particular year if the audit firm has the largest market share based on audit fees within a two-digit SIC category.	Bel-first

Note. The results of our analyses are unaltered by the use of different cutoff points for *SPEC_PARTNER* and *SPEC_FIRM* (e.g., lower the specification to have audited at least five clients within the industry or labeling not only the largest but as well the second largest audit firm in an industry as industry specialists).

Table 2

Sample selection.

Description	GCO sample	Fee sample
Firm-year observations 2008–2017	194,667	194,667
Less non-financially distressed firms	(85,613)	NA
Less joint audits (more than 1 audit partner)	(8,952)	(15,451)
Less financial institutions and public administrative institutions	(14,183)	(17,134)
Less observations with missing data	(6,925)	(28,815)
Final sample	78,994	133,267

Note. This table details the sample selection process.

Table 3

Audit partner level descriptive statistics.

	Mean	**Std.**	**Median**	**Min**	**Max**
PARTNER_NARC (average)	1.16	0.80	0.93	0.14	3.99
MALE (average)	0.84	0.37	1	0	1
EXPERIENCE (average)	14.92	9.88	16	0	34
SPEC_PARTNER (average)	0.01	0.05	0	0	0,60
TA (average)	37.000	57.000	16.000	380	580.000
LOSS (average)	0.30	0.16	0.29	0	1
ROA (average)	0.04	0.06	0.05	-0.48	0.31
IRISK (average)	0.50	0.13	0.51	0	1
LEV (average)	0.69	0.23	0.66	0.06	3.71
CURRENT (average)	7.70	12.39	3.73	0.45	215.77
DSCORE (average)	0.48	1.91	0.83	-26.75	4.93
LISTED (average)	0.00	0.02	0	0	0.19
AGE (average)	25.89	8.40	24.77	1.50	93
BIG4 (average)	0.29	0.45	0	0	1
CLIENT_IMP (average)	0.10	0.10	0.05	0.00	0.34
PORTFOLIO (average)	20.08	1.99	19.84	17.39	24.80
NUM_CLIENTS (average)	33.20	36.77	21.00	4.00	283.00

Note. This table reports descriptive statistics at the level of the individual audit engagement partner. Variables are defined in Table 1. (*average*) indicates that variables were aggregated at the audit partner level. $n = 795$

Table 4

Descriptive Statistics

Panel A: GCO Sample

Variable	Mean	Std.	Median	Min	Max
GCO	0.27	0.44	0	0	1
PARTNER_NARC	1.20	0.81	0.96	0.14	3.99
LTA	15.64	2.05	15.68	9.99	21.11
LOSS	0.53	0.50	1	0	1
ROA	-0.03	0.32	0.01	-2.11	0.77
IRISK	0.44	0.33	0.43	0	1
LEV	0.98	1.98	0.74	0	17.59
CURRENT	14.64	79.49	0.97	0.01	682.52
DSCORE	-2.43	18.00	0.49	-155.33	5.21
LISTED	0.01	0.09	0	0	1
AGE	22.70	19.55	18	1	96
BIG4	0.50	0.50	0	0	1
PRIOR_GCO	0.23	0.42	0	0	1
MALE	0.88	0.32	1	0	1
EXPERIENCE	14.65	9.05	15	0	33
CLIENT_IMP	0.03	0.05	0.01	0	0.31
PORTFOLIO	21.62	1.69	21.75	17.48	24.80
SPEC_PARTNER	0.06	0.23	0	0	1
SPEC_FIRM	0.16	0.36	0	0	1
OFFICE_SIZE	8.09	8.04	5	1	34

Note. n = 78,994. All variables are defined in Table 1

Table 4 (cont.)

Panel B: Fee Sample

Variable	Mean	Std.	Median	Min	Max
AF	11,960.04	17,127.98	6,365	800	110,000
LAF	8.84	0.99	8.76	6.68	11.65
PARTNER_NARC	1.20	0.80	0.96	0.14	3.99
LTA	15.75	1.87	15.77	10.67	20.86
LOSS	0.31	0.46	0	0	1
ROA	0.04	0.22	0.04	-1.23	0.69
IRISK	0.51	0.32	0.53	0	1
LEV	0.71	0.79	0.64	0	6.73
CURRENT	8.36	39.71	1.30	0	345.22
DSCORE	0.15	6.89	1.06	-55.11	5.60
LISTED	0.01	0.08	0	0	1
LNSALES	14.03	5.12	15.67	0	19.97
CATA	0.67	0.33	0.78	0.01	1
LNAS	2.21	3.75	0	0	11.17
MAO	0.47	1.38	0	0	7
BIG4	0.48	0.50	0	0	1
BUSY	0.84	0.37	1	0	1
MALE	0.89	0.32	1	0	1
EXPERIENCE	15.81	8.50	16	0	34
CLIENT_IMP	0.03	0.05	0.01	0.00	0.34
PORTFOLIO	21.55	1.69	21.64	17.39	24.80
SPEC_PARTNER	0.05	0.22	0	0	1
SPEC_FIRM	0.15	0.36	0	0	1
OFFICE_SIZE	7.86	8.01	4	1	34

Note. n = 133,267. All variables are defined in Table 1.

Table 4 (cont.)

Panel C: Descriptive Statistics by the Quintile of Partner Narcissism (Mean)

Variables	Least narcissistic -- Quintile 1		Quintile 2		Quintile 3		Quintile 4		Most narcissistic -- Quintile 5		Quintile 5 – Quintile 1 *t*-test: *p*-value	
	GCO Sample *n* = 15,884	Fee Sample *n* = 26,765	GCO Sample *n* = 15,995	Fee Sample *n* = 26,860	GCO Sample *n* = 15,563	Fee Sample *n* = 26,829	GCO Sample *n* = 15,765	Fee Sample *n* = 26,259	GCO Sample *n* = 15,787	Fee Sample *n* = 26,554	GCO Sample	Fee Sample
GCO	0.25	NA	0.27	NA	0.27	NA	0.29	NA	0.28	NA	0.000***	NA
AF	NA	12,123.07	NA	12,369.12	NA	11,581.70	NA	11,696.02	NA	12,025.28	NA	0.528
PARTNER_NARC	0.38	0.38	0.68	0.68	0.98	0.98	1.45	1.44	2.53	2.52	0.000***	0.000***
LTA	15.65	15.77	15.67	15.75	15.70	15.80	15.50	15.63	15.70	15.79	0.059*	0.165
LOSS	0.54	0.31	0.52	0.30	0.52	0.29	0.55	0.33	0.53	0.31	0.035**	0.226
ROA	-0.02	0.04	-0.03	0.04	-0.03	0.04	-0.05	0.03	-0.03	0.04	0.101	0.060*
IRISK	0.44	0.51	0.46	0.52	0.45	0.51	0.45	0.51	0.42	0.49	0.000***	0.000***
LEV	1.00	0.71	1.02	0.72	0.93	.068	1.05	0.75	0.92	0.68	0.000***	0.001***
CURRENT	16.23	9.25	15.57	8.94	15.01	8.41	11.71	6.95	14.65	8.22	0.086*	0.004***
DSCORE	-2.40	0.19	-2.66	0.09	-2.25	0.27	-2.88	-0.11	-1.94	0.30	0.017**	0.041**
LISTED	0.01	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.00	0.125	0.011**
AGE	22.36	NA	23.34	NA	23.91	NA	21.40	NA	22.52	NA	0.466	NA
BIG4	0.52	0.50	0.54	0.53	0.47	0.46	0.49	0.48	0.46	0.43	0.000***	0.000***
PRIOR_GCO	0.21	NA	0.23	NA	0.23	NA	0.24	NA	0.24	NA	0.000***	NA
LNSALES	NA	13.84	NA	14.02	NA	14.21	NA	13.86	NA	14.21	NA	0.000***
CATA	NA	0.66	NA	0.68	NA	0.67	NA	0.68	NA	0.65	NA	0.000***
LNAS	NA	2.10	NA	2.10	NA	2.21	NA	2.35	NA	2.29	NA	0.000***
MAO	NA	0.43	NA	0.46	NA	0.51	NA	0.45	NA	0.48	NA	0.000***
BUSY	NA	0.83	NA	0.85	NA	0.85	NA	0.85	NA	0.83	NA	0.021**
MALE	0.82	0.83	0.84	0.83	0.89	0.88	0.91	0.92	0.96	0.97	0.000***	0.000***
EXPERIENCE	14.67	15.78	13.79	14.80	14.64	15.90	14.87	16.08	15.28	16.50	0.000***	0.000***
CLIENT_IMP	0.03	0.03	0.02	0.03	0.03	0.03	0.02	0.03	0.03	0.03	0.000***	0.001***
PORTFOLIO	21.60	21.54	21.88	21.82	21.61	21.58	21.61	21.54	21.36	21.29	0.000***	0.000***
SPEC_PARTNER	0.07	0.05	0.05	0.05	0.04	0.04	0.05	0.05	0.07	0.06	0.060*	0.081*
SPEC_FIRM	0.17	0.16	0.17	0.16	0.14	0.14	0.16	0.16	0.13	0.12	0.000***	0.000***
OFFICE_SIZE	10.30	9.83	7.99	7.96	6.44	6.45	6.95	6.70	8.83	8.34	0.000***	0.000***

Note. This table reports the mean statistics across partner narcissism quintiles. ***, **, and * represent $p < .01$, .05, and .10, respectively. Variables are defined in Table 1.

Table 5

Correlations among research variables.

Panel A: GCO sample (n = 78,994)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1 *GCO*	1																			
2 *PARTNER_NARC*	**0.03**	1																		
3 *LTA*	**-0.22**	**0.01**	1																	
4 *LOSS*	**0.26**	-0.00	**-0.19**	1																
5 *ROA*	**-0.23**	-0.01	**0.26**	**-0.40**	1															
6 *IRISK*	**0.10**	**-0.02**	**-0.18**	**0.08**	**-0.04**	1														
7 *LEV*	**0.21**	**-0.01**	**-0.32**	**0.12**	**-0.38**	**-0.05**	1													
8 *CURRENT*	**-0.06**	-0.01	-0.00	**-0.05**	**0.03**	**0.04**	**-0.08**	1												
9 *DSCORE*	**-0.19**	0.01	**0.34**	**-0.11**	**0.38**	**-0.05**	**-0.86**	**0.03**	1											
10 *LISTED*	**-0.02**	-0.00	**0.12**	**-0.01**	-0.00	**-0.06**	**-0.02**	**-0.01**	-0.00	1										
11 *AGE*	**-0.11**	**-0.01**	**0.20**	**-0.06**	**0.07**	**0.04**	**-0.07**	**0.01**	**0.05**	**0.07**	1									
12 *BIG4*	**0.01**	**-0.02**	**0.10**	**0.03**	**-0.03**	-0.00	**0.04**	**0.06**	**-0.05**	**0.02**	**-0.04**	1								
13 *PRIOR_GCO*	**0.62**	**0.02**	**-0.20**	**0.12**	**-0.13**	**0.08**	**0.22**	**-0.05**	**-0.21**	**-0.02**	**-0.09**	**0.05**	1							
14 *MALE*	-0.01	**0.15**	**0.01**	-0.01	0.00	**-0.03**	**-0.01**	0.01	**0.01**	0.01	**0.01**	**-0.01**	**-0.01**	1						
15 *EXPERIENCE*	**0.06**	**0.03**	**-0.04**	0.01	**0.01**	0.01	**-0.01**	0.00	**0.01**	**-0.01**	**-0.03**	**-0.18**	**0.06**	**0.08**	1					
16 *CLIENT_IMP*	**-0.04**	-0.00	**0.24**	**-0.03**	**0.04**	0.00	**-0.05**	**-0.06**	**0.05**	**0.15**	**0.14**	**-0.21**	**-0.06**	**-0.03**	-0.01	1				
17 *PORTFOLIO*	**0.01**	**-0.05**	**0.14**	**0.01**	**-0.02**	**-0.02**	**0.02**	**0.06**	**-0.04**	**0.03**	**-0.02**	**0.68**	**0.05**	**0.07**	**-0.10**	**-0.41**	1			
18 *SPEC_PARTNER*	**0.05**	0.01	-0.00	**0.03**	**-0.02**	**-0.02**	**0.02**	0.00	**-0.02**	**0.02**	**-0.04**	**0.20**	**0.06**	**0.06**	-0.01	**-0.07**	**0.19**	1		
19 *SPEC_FIRM*	0.00	-0.01	**0.05**	**0.02**	**-0.02**	-0.00	**0.01**	**0.04**	**-0.02**	**0.04**	**-0.02**	**0.41**	**0.02**	-0.01	**-0.08**	**-0.07**	**0.30**	**0.25**	1	
20 *OFFICE_SIZE*	-0.00	0.01	**0.09**	**0.03**	**-0.02**	**-0.02**	**0.02**	**0.05**	**-0.04**	**0.04**	**-0.03**	**0.58**	**0.02**	**-0.04**	**-0.11**	**-0.08**	**0.44**	**0.10**	**0.26**	1

Note. Bolded values are significant at .01-level. All variables are defined in Table 1.

Table 5 (cont.)

Correlations among research variables.

Panel B: Fee sample (n = 133,267)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1 *LAF*	1																						
2 *PARTNER_NARC*	**0.01**	1																					
3 *LTA*	**0.58**	**0.01**	1																				
4 *LOSS*	**-0.05**	0.00	**-0.16**	1																			
5 *ROA*	**0.04**	-0.01	**0.15**	**-0.52**	1																		
6 *IRISK*	**0.07**	**-0.02**	**-0.14**	**-0.08**	**0.05**	1																	
7 *LEV*	**-0.05**	-0.00	**-0.27**	**0.24**	**-0.38**	**0.04**	1																
8 *CURRENT*	**-0.14**	**-0.01**	**-0.02**	-0.00	0.00	**0.01**	**-0.15**	1															
9 *DSCORE*	**0.07**	0.00	**0.29**	**-0.25**	**0.42**	**-0.04**	**-0.80**	**0.03**	1														
10 *LISTED*	**0.13**	-0.00	**0.10**	**0.01**	**-0.01**	**-0.06**	**-0.02**	**-0.01**	**-0.01**	1													
11 *LNSALES*	**0.46**	**0.02**	**0.36**	**-0.21**	**0.15**	**0.16**	**-0.09**	**-0.32**	**0.22**	0.01	1												
12 *CATA*	**0.04**	**-0.02**	**-0.28**	**-0.10**	**0.05**	**0.77**	**0.07**	**0.08**	**-0.08**	**-0.06**	**0.09**	1											
13 *LNAS*	**0.36**	**0.03**	**0.25**	-0.01	**0.01**	**-0.03**	**-0.03**	**-0.05**	**0.02**	**0.11**	**0.14**	**-0.05**	1										
14 *MAO*	**-0.03**	0.01	**-0.07**	**0.01**	**-0.07**	**0.02**	**0.08**	**-0.02**	**-0.07**	-0.00	**-0.02**	**0.01**	**-0.02**	1									
15 *BIG4*	**0.30**	**-0.03**	**0.09**	**0.06**	**-0.03**	-0.00	**0.02**	**0.06**	**-0.06**	**0.02**	**-0.08**	**0.02**	**0.10**	**-0.03**	1								
16 *BUSY*	**-0.06**	-0.01	**-0.02**	**0.03**	**-0.01**	**-0.03**	**-0.01**	0.00	-0.00	**0.01**	**-0.03**	**-0.04**	**-0.01**	**-0.02**	-0.00	1							
17 *MALE*	**-0.02**	**0.15**	**0.01**	**-0.01**	0.00	**-0.02**	**-0.01**	0.01	**0.01**	0.01	0.00	**-0.02**	**0.02**	**0.01**	**-0.02**	**0.03**	1						
18 *EXPERIENCE*	**-0.08**	**0.03**	**-0.02**	**-0.09**	**0.06**	**-0.03**	**-0.05**	**-0.01**	**0.05**	**-0.02**	**0.04**	**0.05**	**-0.03**	**0.03**	**-0.22**	0.00	**0.09**	1					
19 *CLIENT_IMP*	**0.28**	-0.00	**0.22**	**-0.04**	**0.03**	0.00	**-0.03**	**-0.06**	**0.05**	**0.11**	**0.19**	**-0.01**	**0.16**	-0.00	**-0.24**	**-0.03**	**-0.04**	0.01	1				
20 *PORTFOLIO*	**0.21**	**-0.05**	**0.13**	**0.05**	**-0.03**	**-0.03**	**0.01**	**0.06**	**-0.05**	**0.03**	**-0.09**	**-0.02**	**0.09**	**-0.03**	**0.68**	**0.03**	**0.08**	**-0.10**	**-0.47**	1			
21 *SPEC_PARTNER*	**0.02**	0.01	**-0.01**	**0.06**	**-0.03**	**-0.02**	**0.03**	**0.01**	**-0.03**	**0.01**	**-0.04**	**-0.02**	**0.01**	0.00	**0.18**	**0.03**	**0.04**	**-0.03**	**-0.07**	**0.18**	1		
22 *SPEC_FIRM*	**0.15**	**-0.01**	**0.06**	**0.03**	**-0.02**	**-0.01**	0.01	**0.03**	**-0.02**	**0.03**	**-0.03**	**0.01**	**0.06**	**-0.01**	**0.42**	**0.01**	**-0.01**	**-0.10**	**-0.08**	**0.30**	**0.24**	1	
23 *OFFICE_SIZE*	**0.23**	-0.00	**0.09**	**0.05**	**-0.03**	**-0.02**	**0.02**	**0.05**	**-0.04**	**0.03**	**-0.08**	**0.01**	**0.09**	**-0.01**	**0.59**	**-0.03**	**-0.04**	**-0.14**	**-0.11**	**0.44**	**0.09**	**0.27**	1

Note. Bolded values are significant at .01-level. All variables are defined in Table 1.

Table 6

Partner narcissism, audit reporting decisions and audit pricing.

Variables	*GCO*			*LAF*		
	β	*z-stat.*	*p-value*	*β*	*t-stat.*	*p-value*
PARTNER_NARC	0.082	5.78	0.000***	0.013	3.04	0.002***
LTA	-0.093	-13.47	0.000***	0.232	81.39	0.000***
LOSS	1.236	47.69	0.000***	0.108	16.33	0.000***
ROA	-0.702	-14.56	0.000***	-0.023	-1.61	0.107
IRISK	0.494	13.22	0.000***	-0.150	-8.68	0.000***
LEV	0.107	7.49	0.000***	0.013	1.84	0.066*
CURRENT	-0.001	-6.14	0.000***	-0.001	-16.97	0.000***
DSCORE	0.008	5.20	0.000***	-0.009	-10.97	0.000***
LISTED	0.014	0.08	0.933	0.505	8.48	0.000***
AGE	-0.008	-10.00	0.000***	NA	NA	NA
BIG4	-0.137	-3.62	0.000***	0.351	30.83	0.000***
PRIOR_GCO	3.285	114.27	0.000***	NA	NA	NA
LNSALES	NA	NA	NA	0.043	43.61	0.000***
CATA	NA	NA	NA	0.452	24.26	0.000***
LNAS	NA	NA	NA	0.035	39.48	0.000***
BUSY	NA	NA	NA	-0.077	-7.43	0.000***
MAO	NA	NA	NA	0.000	0.09	0.929
MALE	-0.063	-1.68	0.094*	-0.037	-3.41	0.001***
EXPERIENCE	-0.012	-7.02	0.000***	-0.002	-3.63	0.000***
CLIENT_IMP	0.599	2.14	0.032**	3.918	42.51	0.000***
PORTFOLIO	0.026	2.51	0.012**	0.068	22.24	0.000***
SPEC_PARTNER	0.130	2.79	0.005***	-0.046	-2.84	0.004***
SPEC_FIRM	-0.101	-2.83	0.005***	0.031	3.15	0.002***
OFFICE_SIZE	-0.008	-4.44	0.000***	0.008	12.56	0.000***
Constant	-1.128	-3.99	0.000***	2.417	27.84	0.000***
Year fixed effects	Yes			Yes		
Industry fixed effects	Yes			Yes		
LR-Ratio (χ^2)	17,602.79***			NA		
(Nagelkerke) R^2	39.70%			61.84%		
n	78,994			133,267		

Note. ***, **, and * represent $p < .01$, .05, and .10, respectively. To correct for heteroscedasticity and serial dependence, the statistical significance is calculated using robust standard errors adjusted for clustering by firm (Petersen, 2009). See Table 1 for variable definitions.

Table 7

Partner narcissism and auditors' gender.

Variables	*GCO*		*LAF*	
	Male sample β	Female sample β	Male sample β	Female sample β
PARTNER_NARC	0.101***	-0.187***	0.018***	-0.048***
LTA	-0.095***	-0.081***	0.233***	0.223***
LOSS	1.127***	1.419***	0.106***	0.126***
ROA	-0.748***	-0.392***	-0.029	0.021
IRISK	0.494***	0.499***	-0.148***	-0.191***
LEV	0.111***	0.102**	0.013*	0.010
CURRENT	-0.001***	-0.001	-0.001***	-0.002***
DSCORE	0.008***	0.006	-0.010***	-0.007***
LISTED	0.012	-0.137	0.498***	0.502***
AGE	-0.008***	-0.005***	NA	NA
BIG4	-0.129***	-0.181*	0.368***	0.230***
PRIOR_GCO	3.320***	3.034***	NA	NA
LNSALES	NA	NA	0.043***	0.040***
CATA	NA	NA	0.452***	0.463***
LNAS	NA	NA	0.035***	0.028***
BUSY	NA	NA	-0.077***	-0.072***
MAO	NA	NA	-0.001	-0.001
EXPERIENCE	-0.012***	-0.011*	-0.001	-0.014***
CLIENT_IMP	0.607**	0.079	3.961***	3.956***
PORTFOLIO	0.021*	0.035	0.068***	0.089***
SPEC_PARTNER	0.123**	-0.026	-0.066***	0.105
SPEC_FIRM	-0.079**	-0.250**	0.028***	0.035
OFFICE_SIZE	-0.005***	-0.022***	0.007***	0.013***
Constant	-1.208***	-0.216	2.352***	2.669***
Year fixed effects	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes
LR-Ratio (χ^2)	15,562.22***	2,255,77***	NA	NA
(Nagelkerke) R^2	40,10%	38,62%	62,12%	61,93%
n	69,868	9,055	118,128	15,139

Note. ***, **, and * represent $p < .01$, .05, and .10, respectively. To correct for heteroscedasticity and serial dependence, the statistical significance is calculated using robust standard errors adjusted for clustering by firm (Petersen, 2009). For the female GCO sample 10 industries (75 observations) were dropped due to perfect prediction of the outcome variable. See Table 1 for variable definitions.

Table 8

Type I and Type II GCO errors.

Variables	*GCO*	
	Non- bankrupt$_{t+1}$ sample	Bankrupt$_{t+1}$ sample
	β	β
PARTNER_NARC	0.071***	0.292***
LTA	-0.099***	-0.106***
LOSS	1.269***	0.929***
ROA	-0.704***	-0.355***
IRISK	0.521***	0.210
LEV	0.107***	0.076**
CURRENT	-0.002***	0.000
DSCORE	0.008***	0.006*
LISTED	0.063	NA
AGE	-0.008***	-0.007*
BIG4	-0.161***	-0.262
PRIOR_GCO	3.303***	2.611***
MALE	-0.077*	-0.147
EXPERIENCE	-0.011***	-0.022**
CLIENT_IMP	0.486*	3.589**
PORTFOLIO	0.029***	-0.008
SPEC_PARTNER	0.182***	-0.339
SPEC_FIRM	-0.109***	-0.181
OFFICE_SIZE	-0.007***	-0.015*
Constant	-1.075***	-1.763
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
LR-Ratio (χ^2)	15,510.91***	654.76***
(Nagelkerke) R^2	40.35%	31.18%
n	68,741	2,789

Note. ***, **, and * represent $p < .01$, .05, and .10, respectively. To correct for heteroscedasticity and serial dependence, the statistical significance is calculated using robust standard errors adjusted for clustering by firm (Petersen, 2009). For the bankrupt$_{t+1}$ sample the variable *LISTED* was dropped due to perfect prediction of the outcome variable. See Table 1 for variable definitions.

Table 9

Partner narcissism, audit reporting decisions, and audit pricing using PSM.

Variables	*GCO*			*LAF*		
	β	*z-stat.*	*p-value*	*β*	*t-stat.*	*p-value*
PARTNER_NARC	0.114	4.47	< 0.01***	0.050	7.01	< 0.01***
Control Variables	Yes			Yes		
Year fixed effects	Yes			Yes		
Industry fixed effects	Yes			Yes		
LR-Ratio (χ^2)	14,146.54***			NA		
(Nagelkerke) R^2	39.60%			62.26%		
n	61,896			103,628		

***, **, and * represent p < .01, .05, and 0.10, respectively. To correct for heteroscedasticity and serial dependence, the statistical significance is calculated using robust standard errors adjusted for clustering by firm (Petersen, 2009). Results for the control variables are not reported for brevity. See Table 1 for variable definitions.

Table 10

Partner narcissism, audit reporting decisions, and audit pricing using entropy balancing

Variables	*GCO*			*LAF*		
	β	*z-stat.*	*p-value*	*β*	*t-stat.*	*p-value*
PARTNER_NARC	0.123	5.19	< 0.01***	0.074	10.41	< 0.01***
Control Variables	Yes			Yes		
Year fixed effects	Yes			Yes		
Industry fixed effects	Yes			Yes		
LR-Ratio (χ^2)	15,980.36***			NA		
(Nagelkerke) R^2	40.10%			62.24%		
n	78.994			133,267		

***, **, and * represent p < .01, .05, and 0.10, respectively. To correct for heteroscedasticity and serial dependence, the statistical significance is calculated using robust standard errors adjusted for clustering by firm (Petersen, 2009). Results for the control variables are not reported for brevity. See Table 1 for variable definitions.