

RESEARCH ARTICLE

CEO Psychology and Corporate Tax Aggressiveness: Expert-Based Qualitative Evidence from Morocco

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ABSTRACT

This study investigates the impact of CEO psychological traits on aggressive corporate tax behavior. It draws insight from stakeholders like auditors, tax administrators, and psychological experts in order to dive into the intricate relationship between managerial psychology and corporate tax strategy. It mobilizes the relevant literature, particularly upper echelon theory and agency theory, in order to uncover the main traits that affect this behavior and the other factors that shape this relationship. We analyzed the corpus using NVIVO software for textual analysis in order to find emerging themes and consensus among the interviewees. Three main thematic clusters were found: (1) psychological drivers, (2) cognitive processes, and (3) contextual factors. They explain how the decision to engage in tax aggressiveness is shaped through a process consisting of initial psychological traits, a process of rationalization that solidifies it and contextual factors. These results offer practical insights for the tax administration to incorporate these elements as variables in its risk assessment systems and machine learning models, enabling it to more effectively target tax fraud and evasion.

Keywords: psychological traits; cognitive processes; contextual factors

1. Introduction

Corporate tax policy is a critical element of strategic management, as it directly affects firms' financial performance, cash flows, and interactions with various stakeholders, including shareholders, regulators, and the public. Traditional research has largely focused on external factors, such as tax regulations, corporate governance mechanisms, and financial constraints, as key determinants of corporate tax behavior. However, growing evidence suggests that internal, behavioral factors also play a decisive role in shaping corporate tax

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decisions. In particular, CEOs, as the primary decision-makers within firms, influence the degree of risk the organization is willing to undertake, including in fiscal matters.

Psychological traits of CEOs, such as narcissism, overconfidence, and risk propensity, are increasingly recognized as important drivers of corporate strategic choices. Narcissistic CEOs, for instance, are characterized by an inflated sense of self-importance, a strong need for recognition, and an ambition to project superior performance, which can translate into aggressive earnings management and bold tax strategies [5,13,30,33]. Similarly, overconfident CEOs often overestimate potential gains from corporate initiatives, including tax planning, which can lead to decisions aimed at minimizing or deferring tax payments while underestimating legal and reputational risks. Risk-tolerant CEOs are more willing to engage in high-stakes financial and fiscal strategies, whereas risk-averse leaders tend to adopt more conservative approaches.

Understanding the influence of these psychological factors is crucial because they help explain why firms with similar structural, financial, and regulatory conditions can display markedly different levels of tax aggressiveness. Moreover, these traits interact with organizational governance, board oversight, and stakeholder pressures, creating complex dynamics that shape corporate fiscal behavior. By integrating insights from behavioral finance, psychology, and corporate governance, this study highlights the central role of CEO personality in risk-taking and tax decision-making. Such a perspective not only enriches theoretical models of corporate behavior but also has practical implications for regulators, auditors, and boards seeking to monitor and guide firms' tax strategies effectively.

While previous research has established links between CEO traits and financial decision-making, less is known about how these psychological factors specifically influence corporate tax aggressiveness, especially in emerging markets. Existing studies largely focus on US firms, leaving a gap regarding the role of CEO psychology in contexts with different governance structures, regulatory environments, and cultural factors. This study aims to fill this gap by exploring the influence of CEO personality traits, narcissism, overconfidence, and risk propensity, on corporate tax strategies, providing both theoretical and practical insights.

The Moroccan context is especially interesting due to the nature of its economy characterized by the presence of a large informal sector that could act as a catalyzer of tax aggressive behavior. In fact, CEOs might consider this proliferation as a justification of tax aggressiveness and view it as a way to make-up for the unfair competition of informal entities that don't pay taxes and act as free-riders, using public infrastructure that was financed by a small portion of tax compliant entities. The tax base is also concentrated with only 2% of companies paying nearly 80% of the corporate income tax, putting pressure on formal companies. The modernization of the tax administration through the generalization of electronic filing and payment, and the introduction of artificial intelligence in selecting audit cases also changes the perception of CEOs and limits their capacity to make informal negotiations, as the decision is acted by an algorithm based on a set of objective variables [8]. With the integration of algorithmic risk assessment of tax fraud and avoidance, tax administration could act as a moderator of CEO's narcissism and overconfidence. Faced with an algorithmic case selection of audits, their ability to negotiate or outsmart the administration is heavily curbed which could deter the engagement in tax aggressive behavior [7].

The main objective of this study is to demonstrate the relationship between CEO psychological traits and corporate tax aggressiveness. To achieve this, the study is organized into three main parts.

First, we provide a comprehensive literature review on this subject. This section focuses specifically on the determinants of corporate tax aggressiveness and the theoretical foundations underpinning the study, including research on CEO traits such as narcissism, overconfidence, and risk propensity, and how these traits influence risk-taking and financial decision-making.

Second, we present the methodological approach, detailing the characteristics of the qualitative sample, the data collection process, and the analytical methods employed. This section explains how in-depth interviews were conducted with key executives and how thematic coding was used to capture the relationship between CEO traits and tax-related strategic decisions.

Third, we report the results and provide a discussion, highlighting the main patterns observed in the data and linking them back to the theoretical and empirical literature. This section allows us to interpret how psychological factors of CEOs shape corporate tax aggressiveness, the implications for governance and risk management, and the broader significance for theory and practice.

2. Literature review: The contribution of CEO attributes to the tax aggressiveness strategy

2.1. CEO confidence and tax aggressiveness

CEO confidence represents a key determinant of firms' strategic choices, particularly with regard to tax aggressiveness. Prior literature suggests that confident CEOs are more likely to engage in aggressive tax strategies by accepting higher levels of tax-related risk, based on the belief that such strategies will generate substantial financial benefits for the firm. From an agency theory perspective, this behavior reflects the CEOs confidence in their ability to manage and control the risks associated with tax planning activities, including regulatory sanctions and reputational costs. In addition, stakeholder theory emphasizes that CEO's confidence influences the trade-off between short-term tax savings and long-term stakeholder interests. While a moderate level of CEO confidence may promote efficient and value-enhancing tax planning, excessive confidence can lead to heightened tax aggressiveness, potentially undermining transparency, regulatory compliance, and investor trust.

Furthermore, signaling theory suggests that CEO confidence transmits critical information to external stakeholders through observable strategic actions. For example, large-scale investment decisions may signal strong future financial prospects, which can incentivize confident CEOs to pursue aggressive tax strategies in order to maximize internal financing and sustain investment capacity. From this perspective, tax aggressiveness may be used as a complementary signal of managerial confidence in the firm's ability to manage fiscal risks and generate long-term value. Additionally, upper echelons theory posits that a confident CEO, particularly one characterized by overconfidence, may overestimate future earnings while underestimating tax-related and regulatory risks. This cognitive bias can increase the likelihood of engaging in aggressive tax planning practices, potentially exposing the firm to higher compliance, reputational, and enforcement risks ^[9,16,22].

In the context of the Saudi economy, ^[4] examined the impact of managerial ability on corporate tax aggressiveness over the period 2008–2018 and found that firms led by highly capable and confident CEOs tend to adopt less aggressive tax strategies. In addition, ^[2] analyzed the effect of governance systems on corporate tax aggressiveness in the MENA region, including Saudi Arabia, from 2010 to 2019. Their findings indicate a strong relationship between effective governance mechanisms, managerial characteristics, and firms' tax-related strategic behavior. Specifically, governance structures and managerial traits can either constrain or incentivize firms to engage in aggressive tax planning, depending on the alignment between risk-taking incentives and regulatory oversight. These dynamics highlight the role of managerial decision-making in balancing tax savings against compliance and reputational considerations, with broader implications for economic development.

2.2. CEO narcissism and corporate tax aggressiveness

Narcissism (NARC) is a personality trait encompassing a wide range of behaviors, notably an inflated sense of self-importance, an unrealistic self-image, compulsive self-promotion, hubris, and a persistent need for admiration ^[30]. Narcissistic individuals are strongly driven by status and recognition, and some may even violate rules to achieve their objectives ^[10]. They often perceive others as less competent, and their excessive self-confidence can lead to ill-considered decisions ^[15]. These behaviors frequently extend beyond private life, influencing the workplace, where ego-driven actions and choices may harm not only team members but also a broader set of stakeholders ^[11].

Research suggests that narcissistic CEOs often drive their firms to project an idealized image of performance, increasingly detached from reality, which can culminate in the publication of heavily managed financial reports ^[5]. Empirical evidence shows that firms led by narcissistic CEOs engage in higher levels of earnings management, particularly through real and operational activities ^[32]. Similarly, ^[18] found that higher levels of CFO narcissism are associated with biased reporting and unreliable financial data. Extending this perspective to taxation, ^[33] demonstrated that narcissistic CEOs are more likely to implement aggressive corporate tax strategies, increasing the likelihood of participation in tax sheltering. ^[13] further emphasized that narcissistic CEOs are more prone to undertake aggressive strategic decisions and engage in questionable practices than overconfident CEOs, whose traits are comparatively milder. Nevertheless, overconfident CEOs also tend to overestimate the benefits of tax planning investments, which encourages strategies aimed at deferring or minimizing tax payments. Collectively, these findings indicate that narcissism in top executives is a strong predictor of corporate tax aggressiveness, as it motivates leaders to prioritize personal and organizational status while taking higher financial and reputational risks.

2.3. The Determinants of Tax Aggressiveness

Tax aggressiveness, with tax avoidance and evasion, refers to the manipulation of tax liabilities by firms in order to optimize their tax burden by inflating expenses through abusive deductions and depreciations and, on the opposite side, declaring the minimum of revenues. It represents a major challenge for tax authorities due to its complexification and the difficulty of effectively tracking elaborate cross-border tax planning schemes, which erode the tax base and deprive states of precious tax resources.

The scholars use a set of proxies to measure this tax behavior; among the most prominent ones is the Effective Tax Rate (ETR), which measures the effective tax burden paid by the firm. It is particularly used for its simplicity and straightforward interpretation. Besides this proxy is the book-tax difference, measuring the discrepancy between the taxable income and financial income reported to shareholders; among its roots are the depreciations that sometimes are capped by tax authorities, in addition to deferred revenues or even fines and penalties.

The literature lists a set of variables affecting tax aggressiveness, like the composition of the board of directors, its size, diversity, and most importantly, independence. In fact, studies have demonstrated that the presence of independent directors on the board significantly contributes to the decrease in tax avoidance behavior by aligning the interest of the managers with the firm's overall strategy, which is measured by metrics like the increase in the effective tax rate ^[25].

However, the relationship is not always linear and is sometimes context-dependent. For example, ^[6] found that it is positive at low levels but negative when tax aggressiveness is high. In addition, board diversity, such as the presence of women on the board, also helps reduce tax-aggressive behavior according to several scholars.

Other indicators include the size of the board, which provides a diversity in opinions and fosters sound and well-argued debates; however, it also could lead to negative outcomes with an increase in tax aggressiveness due to coordination issues ^[23]. The presence of a strong audit committee that is independent and has enough expertise is linked to a lower level of tax aggressiveness ^[3,29].

The composition of company ownership is also an indicator of tax aggressiveness. There is a consensus that long-term orientation and family ownership reduce risk-taking and discourage engagement in tax-aggressive behavior for short-term financial gains, which could jeopardize the company's reputation and long-term market position ^[12].

This aggressive tax behavior is shaped by an interplay between the organization's own characteristics and the traits of its executives; it's the mixture between these two factors that determines the propensity to engage in such behavior and to what degree.

Indeed, another strand of literature is anchored in theories like the Upper Echelon Theory, which posits that organizations reflect their managers' characteristics and choices, including their cognitive biases, experience, and values. These traits can be proxied quantitatively by indicators such as executives' age, education, and seniority. The literature particularly focuses on the CEO's personal traits ^[19], since strategic decisions are often shaped by their values and perception of reality.

In fact, psychological characteristics like overconfidence, defined as the underestimation of incurred risks and overestimation of one's own capacities, are considered as one of the major aspects of these traits. An overconfident CEO tends to directly look at the results no matter what, without focusing on the legal and financial risks that his decision may trigger; he engages in overinvestments in projects that may not be profitable and may adopt risky tax planning to preserve the short-term financial health of his company ^[21]. This relation with tax avoidance has been documented by multiple studies that link overconfidence with lower cash effective tax rates and higher book tax differences ^[13,20].

Other characteristics include narcissism, defined as the need for entitlement and to demonstrate competency to external stakeholders, often confused with overconfidence. Narcissistic CEOs tend to engage in empire-building and make bold decisions to satisfy their need for appraisal, sometimes at the expense of the company's financial health. Scholars have found a positive relationship between narcissism and tax aggressiveness, a relationship moderated by factors such as board characteristics ^[33]. CEO age is also a determinant: older CEOs tend to be more conservative and avoid actions that could tarnish the company's reputation ^[31]. Finally, risk appetite positively affects tax avoidance, with risk-taking CEOs; characterized, for example, by low diversification of investments, exhibiting higher levels of tax avoidance ^[35].

3. Methodology

1. Qualitative Approach

Our research adopts a qualitative and interpretive design to explore how CEO psychology influences tax aggressiveness. By conducting in-depth interviews with key stakeholders, we aim to uncover the underlying motivations and cognitive processes behind strategic fiscal choices. Data analysis follows a thematic approach, allowing for the systematic identification of emerging patterns to provide a granular and nuanced understanding of how executive personality traits shape corporate tax behavior.

2. Data Collection And Analysis Process

2.1. Instrument

Data were gathered using a semi-structured interview guide to collect stakeholders’ insights on the research topic. The instruments were carefully developed based on an extensive literature review and reviewed by experts to ensure clarity and validity. An initial questionnaire was pre-tested with a sample of three experts before being administered to the main study population.

Table 1. Interview Guide Questions

Objective	Interview questions
To analyze how CEO’s psychological traits, leadership styles, ethical orientations, and risk perceptions, within the context of governance relationships and financial performance pressures, influence corporate tax decision-making and the degree of tax aggressiveness.	<ol style="list-style-type: none"> 1. In your experience, which psychological traits of CEOs have the greatest impact on the adoption of aggressive tax strategies? 2. How do corporate tax decisions appear to be influenced by the CEO's style or personality? Can you provide observed examples? 3. How do CEOs perceive the legal and reputational risks associated with aggressive tax strategies, and how do you think this influences their decisions? 4. In your experience, how do the relationships between the CEO, the board of directors, auditors, and investors influence the choice of tax strategies? 5. In your opinion, to what extent do financial performance or profit targets modify CEOs' tax decisions? 6. How do CEOs' ethical or reputational concerns influence the prudence or aggressiveness of corporate tax strategies?

2.2. Sample screening

By adopting an exploratory and qualitative design, this study investigates the psychological antecedents of corporate tax behavior. Data was processed using NVivo 15 software, which enables a structured and rigorous coding process to identify emerging thematic patterns. This approach facilitates a granular interpretation by triangulating empirical findings with existing literature. For this particular context, NVIVO software was deemed superior to other tools that use statistical encoding like IRAMUTEQ. Due to the complexity of psychological traits in the discourse, manual encoding through a meticulous analysis of the corpus was paramount in order to capture each trait separately. The software also allows for transparency in the process as it generates figures that show the weight of each code compared to the overall cluster, allowing for a hierarchy of the psychological drivers in terms of frequency. The sample comprises 10 semi-structured interviews (Table 2) with a diverse panel of auditors, tax administrators, and psychological experts. This diversity of experts ensures data saturation and allows us to capture multiple perspectives, both from the firms themselves and from the regulators and the experts. For internal data validity, we mobilized a standardized semi-structured interview guide deeply rooted in our literature review to capture the intricate interaction between our studied variables.

Table 2. Sample Description

Participant ID	Genre	Profile	Experience
I1	Woman	Psychological Expert	3 years
I2	Woman	Auditor	4 years
I3	Man	Auditor	5 years
I4	Man	Tax administrator	3 years
I5	Woman	Director	6 years

Participant ID	Genre	Profile	Experience
I6	Woman	Auditor	3 years
I7	Man	Financial researcher	4 years
I8	Male	Finance specialist	6 years
I9	Man	Auditor	5 years
I10	Woman	Auditor	5 years

Table 2. (Continued)

3. Data cleaning

After conducting the interviews, we manually transcribed them and used NVIVO software to identify the thematic clusters emerging from our pool of experts. NVIVO allows effective management of coding and provides insightful visualization tools, which assist in interpreting the clusters and the complex interactions between concepts.

The Word Cloud in Figure 1 highlights the prominence of the triptych tax, CEO, and strategies within the corpus, with frequencies of 4.59%, 1.99%, and 1.71%, respectively. These terms are followed by aggressive, risk, and decisions, which appear with frequencies of 1.42%, 1.37%, and 1.02%. This demonstrates the overall coherence of the interviewees’ discourse and the central role of risk and strategic considerations in relation to our research topic.

This also aligns closely with Upper Echelon Theory, which views firms’ strategic decisions as not only the result of rational calculations, but as outcomes shaped by the psychological traits of top executives, particularly the CEO, who sits at the apex of the organizational hierarchy.

Figure 1. Word Cloud

4. Results

The hierarchy of themes in Table 2 identifies a three-dimensional construct that emerged from the interviews: the contextual factors influencing the nexus between CEO psychology and tax aggressive behavior, the underlying cognitive process, and the psychological drivers. We can clearly see a sequence of action with the drivers (psychology), the rationalization (cognitive process), and the moderating determinants. This

suggests that tax-aggressive decisions are not standalone processes but are embedded in, and influenced by, the internal and external environment. It is shaped through a process whereby the CEO rationalizes aggressive tax planning as a means to assert control, secure mandate longevity, and generate short-term value for the firm.

Figure 2. Hierarchy of Themes

This cluster shows the greatest convergence among the experts. It highlights three main psychological traits that shape tax aggressiveness: narcissism creates the need, overconfidence lowers barriers, and risk appetite drives action. The desire for validation and to demonstrate value and competency through tax-related behavior emerges as the most prominent factor underlying this relationship.

Figure 3. Hierarchical Diagram of the Psychological drivers

“At the primary level, we have narcissism: CEOs who have a need to prove something in a continuous and confirmatory manner.” I.1

“I have observed that certain CEOs consider tax optimization as a key indicator of their personal competence.” I.2

This driver leads to a quest for short-term results, often translating into optimizing the tax burden to exhibit positive performance, as this is viewed, especially by the CEOs themselves, as a way to effectively and swiftly display favorable performance metrics.

“Narcissism can also exert substantial influence, as some executives look prominently for short-term financial performances.” I.7

“Narcissism: it compels the CEO to pursue highly visible and short-term financial results.” I.3 & I.10

“A reduction in the effective tax rate (ETR) can be perceived as an indicator of managerial performance, reinforcing the view of the CEO as an effective one.” I.8

Afterwards, this need to reinforce his positive image is facilitated by overconfidence and an illusion of control that dismantles the impediments and creates a sentiment of invulnerability and ability to face any potential hurdle with ease.

“Excessive confidence and narcissism have a considerable incidence on the adoption of aggressive tax strategies,” and “These personality traits often lead to exaggerated confidence in their ability to circumvent regulatory and institutional constraints.” I.2

“These executives often think that they can manage a potential tax control and negotiate with the administration.” I.8

This creates a sense of omnipotence that evolves into an invulnerability bias characterized by the belief that they can never be caught by the tax administration, fostering the belief that they can manage any legal or reputational hurdle.

“Executives with an invulnerability bias think that they can never be caught.” I.1

“Self-confidence plays a central role: A CEO who is overconfident tend to feel that he is able to manage legal and reputational risks.” I.7

Finally, risk appetite plays a catalyst role by enhancing the propensity to tolerate these risks and uncertainty due to the psychological rewards, which translate these cognitive biases into concrete tax planning strategies.

“Risk appetite is a major determinant; CEOs who have a high tolerance for risks are more inclined to adopt complex tax optimization.” I.2

“...they have a pleasure adrenaline to risk, in a logic of risk chasing.” I.1

“CEOs with a high-risk appetite consider tax aggressive strategies as a rational opportunity for optimization.” I.3

Figure 4. Hierarchy of Themes of the Cognitive Process

This theme encompasses the cognitive and managerial filtering that subjectivizes reality according to the CEO's perception and afterwards spills over the organization in the form of choices and priorities. It consists of the subjective perception of risk that is biased and non-rational, and when strategic trajectories are rather driven by emotion.

“For this type of manager, risk perception is not rational anymore; it rather becomes emotional.” I.1

This filtering establishes a taxonomy of risks, where some are more controllable than others. For example, a consensus emerged among interviewees that CEOs maintain a sharp separation between legal risks, which they perceive as manageable through elite experts, and reputational risks, which remain underestimated.

“CEOs often perceive legal and reputational risks under the prism of an analysis of cost-advantage... A lot of them think that sophisticated counsel mitigates legal risks, whereas reputational ones are often neglected.” I.2

“Some CEOs consider legal risk as manageable, notably through the expertise of tax counselors.” I.3;
I.6

“Some CEOs consider legal risk as manageable, thinking that tax rules have a degree of interpretation... for them, the reputational risk is underestimated, while reputational risk is often neglected.”
I.7

One of the interviewees introduces the concept of “perceived immunity” that guides the propensity to engage in tax aggressiveness rather than the rules and laws in place. This inclination is further solidified by internal rationalization mechanisms, whereby the CEO normalizes his strategic choices through peer-based benchmarking and the invocation of industry-wide practices.”

“The CEO doesn’t decide solely in accordance to the law, but also to his perceived immunity.” I.4

“Risk is frequently filtered through two mechanisms: rationalization ('All firms engage in this...') and denial ('There will be no audit').” I.1

"This reasoning often incentivizes decisions that push the boundaries, particularly when competing firms exhibit aggressive behaviors." I.2

This distorted vision of reality is materialized through leadership style, with authoritative CEOs being demanding in terms of short-term financial results, pushing the employees to come up with sophisticated tax planning solutions to meet his requirements. In contrast, a participative leader fosters internal contradiction and debates, balancing between a desire for profits and the respect of tax rules without undermining the firm's reputation and value.

"A CEO with a centralized and authoritative style tends to get directly involved... financial and tax teams may be incentivized to propose more aggressive optimization schemes." I.8

"Certain highly charismatic or dominant leaders impose their fiscal vision without any real internal challenge." I.7

"A very centralized leader often demands quick, figure-driven solutions, which pushes tax teams to propose more highly optimized structures." I.9

Figure 5. Hierarchy of Themes of Contextual Factors

The contextual factors that drive the translation of these psychological drivers to aggressive tax planning are mainly grouped into three categories: moral and reputational considerations, governance structures, and performance requirements. They act as a pressure that either amplifies the CEO's tax aggressiveness or acts as a barrier that prevents these traits from turning into concrete managerial choices. Corporate governance stands out as the first rampart that regulates and restricts the discretionary power of the CEO; an independent board of directors acts as a moderator, in addition to the presence of high-quality external auditors (Mahouat et al., 2025) ^[29]. Furthermore, the effectiveness of this moderation relies heavily on strong top management support, adequate resource allocation, and robust cooperation between internal and external auditing bodies ^[17,27].

"When the board or auditors are strict and effective, the CEO exercises self-discipline." I.1

"A strong and independent board can play a moderating role." I.10

"Strong governance acts as a regulator that tempers the CEO's risky impulses. Conversely, weak governance leaves the field wide open." I.4

"When the CEO operates in an environment where the board is active... taxation becomes a strategic topic discussed collectively, which limits extreme choices." I.9

Performance pressure, however, acts as a high-velocity accelerator that overrides established safeguards. In the case of a need for survival and to ensure the perennity of the firm, aggressive tax planning is considered as a necessity rather than a simple choice; it is viewed as an easy way to enhance performance without requiring too much effort. It is a lever to readjust financial results to meet investors', stakeholders', and regulators' requirements.

"Financial performance is a determining factor. When targets are not met, CEOs are much more likely to adopt aggressive tax positions." I.2

"During periods of underperformance, executives are more inclined to resort to aggressive tax strategies to preserve margins." I.6

"Overall, the greater the pressure on performance, the greater the likelihood of aggressive tax choices." I.7

Ultimately, ethical and reputational concerns are the main forces that restrain the firm from engaging in risky tax planning. They act as a 'speed limiter,' preventing the CEO from putting his own reputation and the firm at stake. Another important factor is the media exposure of the CEO, which makes him more prudent so as not to risk his credibility. There are also cases where he simply views paying tax as a moral and societal responsibility, in accordance with the tax morale stream of literature.

"A prudent executive committed to compliance and brand image will adopt much more traditional tax strategies." I.5

"Some CEOs consider paying a level of tax deemed 'fair' to be part of corporate social responsibility." I.8

"Some executives see themselves as high-profile figures... and seek to avoid any tax decision that could undermine their credibility." I.9

5. Discussion

Our findings suggest that CEO psychological traits, particularly narcissism, overconfidence, and risk propensity, significantly influence corporate tax aggressiveness. However, these traits do not operate in isolation; their impact is strongly moderated by organizational and contextual factors. Governance structures, including the strength of the board of directors, audit committees, and internal control mechanisms, play a critical role in constraining or facilitating aggressive tax strategies. Firms with rigorous oversight tend to mitigate the effects of CEO overconfidence or narcissism, promoting more conservative fiscal decisions, whereas weaker governance may allow personality-driven risk-taking to dominate. Supporting this perspective, [2] examined governance systems in the MENA region, including Saudi Arabia, and found a strong relationship between effective governance mechanisms, managerial characteristics, and firms' tax-related strategic behavior, highlighting the moderating role of governance in shaping CEO-driven tax aggressiveness.

Performance pressure emerges as another key contextual factor. CEOs facing high short-term financial targets or strong investor expectations are more likely to pursue aggressive tax strategies as a means of achieving immediate results. In contrast, in organizations with stable performance or long-term strategic orientations, even highly narcissistic or overconfident CEOs may temper risk-taking to preserve organizational credibility and sustainability. Supporting this view, [4] found that in the context of the Saudi economy, firms

led by highly capable and confident CEOs tended to adopt less aggressive tax strategies, highlighting that managerial ability and confidence can act as a moderating factor reducing tax aggressiveness.

Additionally, moral and reputational pressures significantly shape CEO decision-making. CEOs who perceive strong moral obligations toward stakeholders or who are sensitive to reputational risks tend to moderate aggressive tax behaviors, even when personality traits might otherwise encourage risk-taking. Conversely, in contexts where moral and reputational considerations are weaker, CEOs with dominant personalities may prioritize personal and organizational status over compliance, increasing the likelihood of engaging in aggressive tax planning.

The second cluster represents the psychological drivers for engaging in tax aggressiveness, with three main traits emerging from the interviews with experts: risk appetite, overconfidence, and narcissism. These constitute the foundation of psychological drivers and act as a catalyst for enhancing the tenacity in engaging in risky tax behavior. This consensus resonates with the scholarly discourse that studies the effect of CEO psychological traits on the company's strategic decisions, in accordance with the upper echelon theory. In fact, these are the main drivers that lead firms to engage in tax aggressiveness.

The interviewees agree that overconfidence creates an invulnerability illusion, leading the CEO to belittle any legal framework, considering it as a mere hurdle in his path in parallel with an underestimation of his own capacities^[14]. On the other hand, narcissism further exacerbates this obstinacy by enhancing self-entitlement, placing the CEO's own reputation and benefits at the forefront. This leads, according to the experts, to a lack of critical questioning about the legitimacy of a decision and the engagement in aggressive tax planning to show managerial competency^[21]. These two traits, overconfidence and narcissism, are further complemented by risk appetite, which exerts, according to the expert, a compounding effect by providing an intrinsic gratification, which further discourages critical reflection and leads to impulsive decisions.

The third cluster concerns the cognitive process, which represents the rationalization the CEO uses to justify their engagement in tax-aggressive behavior through three main pillars: subjective risk perception, leadership style, and rationalization and denial. According to the deterrence theory of tax evasion, audit risk perception plays a pivotal role in tax compliance. For^[1], it's the probability of being audited, in conjunction with penalty rates, that shapes tax compliance behavior. Scholars have demonstrated this effect by conducting experimental studies like^[34], in addition to^[24] more recently in the Danish context.

In the same vein, the experts in our study have echoed these findings, emphasizing the critical role of subjective risk perception of the CEO, acting as a filter to the psychological drivers. Indeed, they noted that this perception is primordial and often enhances tax aggressiveness when the CEO thinks that he can manage potential tax controls by engaging in a negotiation with the administration or by hiring tax experts^[26]. These traits also shape the leadership style of the CEO, with narcissistic and overconfident CEOs showing an authoritative style and, on the other hand, those who are more empathetic having a more paternalistic and participative style of leadership. The CEO also engages in a balancing act between rationalization and denial, contextualizing risky tax schemes as legitimate financial optimization.

Overall, these findings highlight that the relationship between CEO psychological traits and tax aggressiveness is contingent on the broader organizational context. Understanding this interplay provides insights into why firms with similar CEO profiles may display varying levels of tax aggressiveness and underscores the importance of robust governance, balanced performance incentives, and strong ethical and reputational norms in shaping responsible corporate tax behavior.

6. Conclusion

In conclusion, the study shows that CEO psychological traits contribute directly to shaping important firm decisions, especially its tax strategies. Experience, age, overconfidence, risk appetite, and narcissism are among the main characteristics that contribute to tax aggressiveness by outweighing personal gratification with long-term strategic vision. They encourage the CEO to engage in risky positions to nurture his personal ego and reputation, often at the expense of the company's financial sustainability.

From a theoretical standpoint, the findings highlight the contribution of CEO psychological traits, notably narcissism, overconfidence and risk appetite in defining the company tax behavior. Specifically, the study gives new evidence from a developing country where governance and regulation differ from developed economies where the literature is more flourishing. The research further bridges between psychological literature and governance research by expanding traditional determinants of tax avoidance like board independence, CEO duality or ownership concentration to more internal factors. It also uncovers a three-stage process that define the tax aggressive decision: psychological drivers that motivate the decision, cognitive process that strengthen the decision through a rationalization and contextual factors that moderate the process.

Practically, the findings would help tax administrations to integrate these psychological variables to their risk assessment systems. Even though these psychological traits may seem abstract, the literature has proposed concrete metrics to measure their manifestation like the tenure for overconfidence or even the investment in high-risk projects for narcissism and risk appetite. Corporate board could also set guardrails in order to curb opportunistic behaviors by identifying narcissist or overconfident CEOs and setting in place oversight mechanism like independent audit committees and continuous monitoring.

Among the limits of the study is the qualitative nature that limits generalization of the findings due to subjectivity concerns and limited statistical evidence, despite the use of NVIVO software, coding and identification of the themes remain subject to the researcher interpretation. The size of the sample could also be extended and while it was diversified to ensure saturation and to diversify the perspectives, it could be expanded through a quantitative study in order to generalize the findings. The assessment of CEO psychology also relies on an indirect perception of external stakeholders; this creates a filter that may not capture the true psychological drivers of the behavior. Future studies may adopt a more quantitative approach by using proxies for these psychological traits that are available in the literature.

Conflict of interest

The authors declare no conflict of interest

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