

Leader's Narcissism, Organizational Cynicism, and External Auditor's Acceptance of Premature Signoff: Moderation of the Auditor's Resilience

Muhammad Farooq Rehan

Lyallpur Business School, Government College University, Faisalabad, Pakistan.

Shoaib Masood Khan

College of Commerce, Government College University, Faisalabad, Pakistan.

Raheel Mumtaz

Lyallpur Business School, Government College University, Faisalabad, Pakistan.

Khalid Hussain

College of Commerce, Government College University, Faisalabad, Pakistan.

khalidhussain@gcuf.edu.pk

Abstract

This study investigates how narcissistic leadership within auditing firms affects organizational cynicism and external auditors' acceptance of premature signoff in Pakistan. The research looks at how auditor resilience interacts with the link between narcissistic leadership and organizational cynicism. The research uses a convenience sample method to gather information through self-administered questionnaires from 217 auditors who work in Pakistan's three major cities, Faisalabad, Lahore, and Islamabad. The study's findings indicate that narcissistic leadership within auditing firms favors organizational cynicism and external auditors' willingness to accept a premature signoff. Organizational cynicism among auditors is brought on by narcissistic executives who foster a culture of perceived unfairness, lack of transparency, poor communication, and unfulfilled promises. The research also reveals that the positive correlation between narcissistic leadership and organizational cynicism is greatly hindered by auditor resilience. Auditors may fend off the detrimental effect of narcissistic leaders and preserve their professional skepticism and ethical decision-making by drawing on their psychological resource of auditor resilience. The study's findings apply to Pakistan's audit firms and regulatory agencies. The negative effects of narcissistic leadership on organizational cynicism and the acceptability of premature signoff are highlighted, emphasizing the need to resolve these effects. Strategies need to be established to foster a positive work atmosphere, improve the decision-making abilities of auditors, and lessen the possible negative effects of narcissistic leadership. This research examines narcissistic leadership in Pakistani audit organizations. It addresses external auditors in Faisalabad, Lahore, and Islamabad. The research also examines auditor resilience's function in mitigating the detrimental consequences of narcissistic leadership on organizational cynicism.

Keywords: Narcissistic leadership, organizational cynicism, acceptance of premature signoff, auditor resilience, audit firms, external auditors, Pakistan.

Introduction

Quality audits are crucial for enhancing financial reporting quality by verifying the accuracy and transparency of financial data. Auditing objectively assesses an organization's financial records, internal processes, and bookkeeping (van der Aalst, W., 2010). Auditor evaluations reveal mistakes, abnormalities, and frauds and improve financial reporting quality and authenticity. High-quality audits help investors, lenders, and regulators trust and be assured (Schmitz et al., 2019). This promotes informed decision-making and financial system stability.

However, dysfunctional auditor behaviors can lower audit quality and undermine the auditing process (Astuty et al., 2022). These behaviors may lead to inadequate risk assessment, testing, and failure to detect substantial misstatements or fraud (Putra et al., 2020). Auditors' dysfunctional behavior can lower job quality, resulting in inaccurate financial reporting and misinformation to stakeholders (Donnelly et al., 2003). Identifying and fixing dysfunctional audit behavior is essential to audit quality and financial reporting integrity.

Auditors' premature signoff acceptance is a major dysfunctional audit conduct among various kinds. Premature signoff occurs when an auditor approves financial accounts before completing all audit procedures (Raghunathan, B., 1991; Zakaria et al., 2013). An auditor accepting premature signoff may damage stakeholders' confidence, who rely on audited financial statements to make informed decisions (Izzah et al., 2020). This behavior must be addressed to maintain audit quality, financial reporting accuracy, and auditing trust (Herda et al., 2019).

Multiple variables can persuade auditors to sign off prematurely, and client pressures may force auditors to cut corners, compromising their work and attention (Astuty et al., 2022; Dewi et al., 2020). Insufficient budgets, staffing, and lack of expertise or training can lead to premature signoff (Ruiz-Barbadillo et al., 2022). Leadership in the audit firm is key to dysfunctional audit behavior (FeyzAbadi et al., 2020). Leaders' tone, demeanor, and organizational culture can affect auditors' work ethics and audit quality (Karim et al., 2022).

Leadership style in an audit firm greatly affects auditors' premature signoff (Alberti et al., 2022). Effective leadership can shape the workplace climate, set norms, and promote professionalism, morality, and responsibility. Where a supportive and inspiring leadership style can drive auditors to apply professional skepticism, follow auditing standards, and act with integrity (Zamani, R., 2020), a narcissistic leadership, such as self-absorption, self-importance, and manipulation, may harm auditors' behavior (Shurden, 2014). Narcissistic leaders may put personal achievement before ethics, create a culture of intimidation or favoritism, and force auditors to act

dysfunctionally to satisfy impractical demands (Beggan et al., 2023). Narcissistic leadership can lower audit quality and financial reporting integrity (Church et al., 2020) directly and indirectly. Another possible factor known as organizational cynicism can affect auditors' attitudes, behaviors, and decision-making.

Organizational cynicism can increase auditors' pessimism and suspicion in their organization (Dimgba et al., 2022). Organizational cynicism in auditors might make them question their firm's ethics, transparency, and integrity, which can lower job satisfaction, motivation, and dedication (Dimgba et al., 2022; Panchali et al., 2019) that may lead them to engage in premature signoff (Louis et al., 2022). To foster professionalism, ethics, and thoroughness among auditors, organizational cynicism must be reduced. This improves audit quality and financial reporting integrity (Khesal et al., 2023). Apart from organizational cynicism, in the stressful world of auditing, auditor resilience plays a crucial role (Smith et al., 2020).

Auditor resilience is the ability of auditors to adapt, manage, and overcome challenges throughout an audit engagement (Hale et al., 2017). Resilient auditors have the psychological resources and skills to handle their complex and uncertain job (Khelil, 2022; Puspitasari et al., 2019). By managing stress, being positive, and seeking assistance from colleagues and mentors, resilient auditors can handle auditing demands and reduce the hazards of dysfunctional behavior (Smith et al., 2020). Additionally, resilient auditors improve team dynamics by encouraging teamwork, knowledge sharing, and audit quality (Zhang et al., 2023).

Considering the importance of the above factors, this study investigates the complex relationship between narcissistic leadership within the audit firm and external auditors' acceptance of premature signoff. It also seeks to explain how organizational cynicism can mediate and auditor resilience can moderate this relationship. The findings of this analysis will help audit firms, auditing regulatory bodies, and policymakers to improve audit quality and financial reporting quality.

Literature Review and Hypothesis Development

Narcissistic Leadership and Organizational Cynicism

Narcissistic leaders, characterized by their self-centeredness, grandiosity, and an inflated sense of self-importance, seek praise and recognition at the expense of their subordinates and the institution (Nevicka et al., 2011). Narcissistic bosses may appear charming and confident, but manipulating and exploiting subordinates without empathy can impair worker morale, trust, and organizational dynamics (Friedman et al., 2021). On the other hand, organizational cynicism, as considered by suspicion of management, lack of confidence in the organization's ethics, and a belief that executives prioritize their interests over those of the firm and its stakeholders (Jiang et

al., 2019) may originate from perceived injustice, biased behavior, unmet responsibilities, and organizational non-transparency (Khesal et al., 2023). Organizational cynicism lowers employee engagement, motivation, and commitment (Panchali et al., 2019).

Due to its possible effects on employee attitudes and organizational dynamics, narcissistic leadership and organizational cynicism have drawn academic attention (Fakhri, 2023). Narcissistic leaders, through their exaggerated self-perceptions, grandiose behavior, use people for their gain, and lack of empathy (Shurden, 2014), often breeds employee cynicism (Jiang et al., 2019) by generating employee mistrust, unhappiness, and skepticism (Shurden, 2014; Fakhri, 2023). Organizations must understand the relationship between narcissistic leadership and organizational cynicism to encourage effective leadership strategies and a positive environment that promotes trust, dedication, and employee well-being (Friedman et al., 2021).

The relationship between narcissistic leadership and organizational cynicism can be understood using social learning theory (Bandura et al., 1977) and social exchange theory (Cropanzano, 2005). Taking imputes from social learning theory, employees exposed to narcissistic leaders may develop cynical attitudes and behaviors by imitating their leaders' self-serving conduct. According to social exchange theory, narcissistic leaders undermine mutually beneficial social interactions by letting subordinates feel that their efforts, loyalty, and contributions are not rewarded with fair treatment, salary, and a good work environment (Erkutlu et al., 2017). Thus, employees become cynical about the organization, doubting the leadership's motivations and the social exchange association's impartiality and honesty (Mousa et al., 2021). Therefore, we hypothesize as follows:

H1: Narcissistic leadership increases organizational cynicism.

Narcissistic Leadership and Premature Signoff

A "premature signoff" occurs when an auditor approves or completes an audit engagement before completing all necessary audit processes or obtaining sufficient evidence to support their financial statement opinion. The matter is important in auditing for compromising the accuracy and reliability of audited financial accounts (Wilson et al., 2017). Premature signoff may be caused by time, financial, client, or professional skeptical constraints (Izzah et al., 2020). Prematurely signing off on an audit may overlook substantial misstatements, fraudulent activities, or other irregularities that could affect financial statement accuracy and reliability (Morris, 2009). Auditors must not prematurely conclude the audit engagement and carefully complete all necessary procedures to get sufficient audit evidence to preserve financial reporting accuracy and reliability (Sulaiman, 2013).

Narcissistic leadership can pressure auditors to rush the audit, disregard protocols, or ignore financial record warning flags, which may cause premature sign-off on an audit assignment (Paino et al., 2011). Despite their exaggerated self-perceptions and desire for adulation, narcissistic leaders may emphasize public image and immediate goals over financial reporting accuracy and dependability (Frino et al., 2015). Narcissistic leaders' manipulative and exploitative behavior may also create a climate of fear or coercion in an auditing firm (Takada et al., 2021), which may prevent auditors from expressing concerns or doing thorough audits, leading to premature signoff (Johnson et al., 2021).

According to the power-dependence theory (Xu et al., 2022), auditors may depend on their narcissistic leaders for job advancement, resource allocation, recognition, or other professional prospects (Maske et al., 2022). Due to retaliation, resource constraints, or career consequences, employees may be hesitant to question the leader's orders. Auditors may rely on the leader's power to secure new assignments or maintain their status (Schmitz et al., 2019). In a power-driven relationship, auditors may feel obligated to comply with a narcissistic leader, even if it means approving an inadequate or poorly examined audit (Billings, B., 2020). Narcissistic leaders' skills at manipulating subordinates and using their authority and power asymmetry to prefer efficiency over meticulousness through covert and overt means (Parker et al., 2021) may cause auditors to prioritize adherence and conformity over professional norms. Due to pressure and power dependence on the boss, auditors may feel pressured to sign off prematurely to gratify the narcissistic leader.

H2: Narcissistic leadership increases the auditor's acceptance of premature signoff.

Organizational Cynicism and Premature Signoff

External auditors' organizational cynicism and tendency to prematurely sign off on an audit step can be explained by psychological and behavioral factors (Juniariani et al., 2021). Cynicism in the workplace lowers auditors' trust in an organization's leadership, procedures, and processes (Jiang et al., 2019) and might diminish their dedication (Arel et al., 2012; Vance et al., 2006) and motivation, which may lead to apathy or shortcuts like agreeing to a premature signoff to speed up the audit. Cynical auditors may view their audit firm as unresponsive to their concerns and indifferent to their professional assessments and audit quality. As a result, cynical auditors doubt the value of professional standards and rigorous audits, increasing the possibility of premature signoffs.

Cognitive dissonance and job embeddedness theories can be used to examine the relationship between auditors' organizational cynicism and premature signoff. According to cognitive dissonance theory, people try to match their thoughts and

behaviors. Auditors may face cognitive dissonance when their professional standards conflict with pressure to accept premature signoff, especially in the context of organizational cynicism. Auditors may adapt to organizational culture to decrease cognitive dissonance and accept premature signoff. Auditors may compromise their professional integrity to address internal conflict generated by their personal beliefs and actions. Thus, auditors may sign off early to balance professional values with organizational restrictions (Buchheit et al., 2003).

The job embeddedness theory emphasizes individual-organizational interconnectedness. Organizational cynicism can damage auditors' sense of integration, compatibility, relationships, and dedication. Cynical auditors may prematurely approve signoff or feel disconnected from the organization (Juniariani et al., 2021). Reduced organizational affiliation might weaken an individual's commitment to professional ethics and raise their risk of ethical compromise. According to job embeddedness theory, corporate cynicism may lower auditors' loyalty to their company, increasing their chance of dysfunctional conduct. These ideas explain the psychological and organizational aspects linking auditors' cynicism with premature signoff.

H3: Organizational cynicism increases the auditor's acceptance of premature signoff.

Mediating Role of Organizational Cynicism

Mediation of auditors' cynicism between narcissistic leadership and auditors' premature signoff (Panchali et al., 2019) can be explained by Social exchange theory (Aydin, E., 2022), which states that people trade resources and benefits in hopes of earning fair and mutual beneficial rewards (Cropanzano et al., 2005). Narcissistic leaders' manipulation, exploitation of power differentials, and creation of a personal-interested environment may make auditors think their professional traditions and moral judgments are being compromised, causing them to suspect an unjust transaction. Auditors may acquire organizational cynicism as a coping strategy due to perceived social interaction injustice and lack of reciprocity. Auditors use organizational cynicism to assess narcissistic executives' conduct and needs (Prundeanu et al., 2019).

Aziz et al. (2017) found that organizational cynicism mediates auditors' negative views of a company's leadership and tendency to recommend a project prematurely. According to Soh et al. (2023), organizational cynicism may negatively impact auditors' adherence to professional standards, willingness to conduct comprehensive audits, and attitude toward premature signoff.

H4: Organizational cynicism mediates the relationship between narcissistic leadership and auditors' acceptance of premature signoff.

Moderating Role of Auditors' Resilience

Employee resilience pertains to an individual's capacity to effectively adjust, recuperate, and rebound from adverse circumstances, obstacles, and taxing conditions encountered within the professional setting (Zhang et al., 2023). The ability to sustain a constructive outlook, regulate emotions, and exhibit persistence and ingenuity when confronted with challenges is encompassed in this concept.

The Conservation of Resources (COR) theory is a pertinent theoretical framework that can aid in comprehending the moderating function of auditors' resilience in the relationship between narcissistic leadership and organizational cynicism. COR theory posits that individuals endeavor to obtain, safeguard, and enhance resources to fulfill their objectives and requirements (Deng et al., 2018). Resources can be classified into two categories: tangible resources, such as time and money, and intangible resources, such as social support and self-esteem (Waweru et al., 2023). Within the domain of auditors, the presence of narcissistic leadership has the potential to diminish or jeopardize their psychological reserves, including but not limited to their sense of autonomy, competence, and connectedness (Semedo et al., 2022). The exhaustion of resources may impact the rise of organizational cynicism, as auditors may perceive a dearth of backing, impartiality, and deference from their self-centered leaders.

According to Li et al. (2021), auditors with elevated levels of resilience may possess an enhanced capacity to protect and replenish their psychological resources in the face of narcissistic leadership. According to Webster (2015), auditors who possess resilience often employ adaptive coping mechanisms, actively pursue social support from coworkers and external networks, and have a positive outlook when faced with problems by narcissistic bosses. Hence, the capacity of auditors to withstand and recover from adverse circumstances serves as a moderator in the correlation between narcissistic leadership and cynicism within an organization (Aboramadan et al., 2020). The presence of increased levels of resilience can potentially serve as a protective factor against the adverse effects of narcissistic leadership on the psychological resources of auditors. This can lead to a decrease in the development of cynicism and a reduction in the harmful impact on their attitudes and behaviors (Breevaart et al., 2014).

The Conservation of Resources theory can provide insight into the relationship dynamics between auditors and narcissistic leaders. Specifically, auditors' resilience can function as a safeguard, preserving their psychological resources and enabling them to effectively manage the difficulties associated with such leadership (Ampofo et al., 2022). Organizations can improve auditors' resilience by promoting a supportive work environment, providing resources and training for stress management, and cultivating a culture that prioritizes growth and development (Ziegele et al., 2021).

H5: Employee resilience moderates the relationship between narcissistic leadership and acceptance of premature signoff.

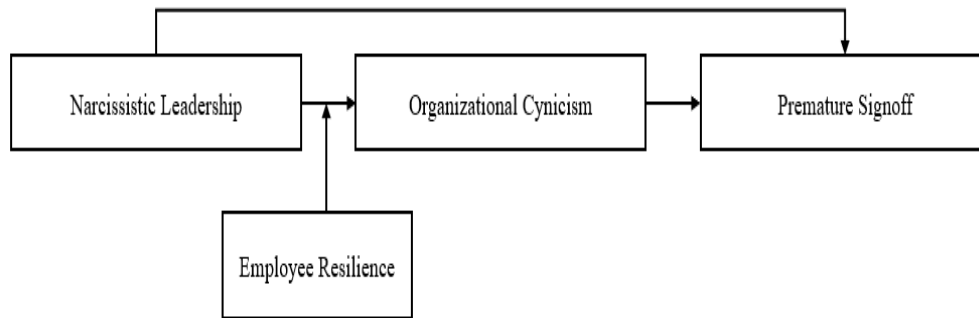


Figure 1. *Research Framework*

Methodology

Participants and Procedures

The publicly available list of audit firms and their audit clientage was acquired from the official website of the Securities and Exchange Commission of Pakistan (SECP). We initiated communication with the 43 audit firms by email, which have been engaged in auditing activities for at least one publicly traded business within the past three years. The contact information utilized for this purpose was obtained from the ICAP website. A survey invitation was extended to a selection of audit firms, resulting in the participation of 21 firms. A total of 594 questionnaires were distributed to participants through return envelope mail. Subsequently, 258 valid replies were received and deemed suitable for data analysis. This process was carried out during a period spanning from March to June 2023, during which three follow-up calls were made to ensure participant engagement. The quota sampling technique was utilized to obtain a sample that accurately represents the population.

Data was acquired from an adapted questionnaire. The survey instrument comprised two distinct sections. The first stage of the survey was dedicated to gathering demographic information from the participants, while the subsequent section consisted of a comprehensive list of 28 scale items. The participants' replies were assessed using a Likert scale for each item on the scale. To mitigate potential methodological biases and minimize respondent distraction, we opted to exclude the names of the constructs from the questionnaire. After gathering the participants' responses, we categorized the scale items before data analysis.

The results of our survey's demographic analysis indicated that 197 participants identified as male, while the remaining identified as female. This aligns

with the gender distribution observed in the audit sector in Pakistan. Big4 audit companies were selected to include 93 auditors, while the remaining auditors were employed from non-Big4 audit firms. A significant portion of the sample, comprising 143 auditors, comprised individuals with 0-5 years of audit experience. Additionally, 61 auditors possessed audit experience ranging from 6-10 years. Most auditors, specifically 203 individuals, have a CA qualification, while the remainder hold alternative certificates.

Measures

The measurement of *leader narcissism* was conducted using a 6-item scale developed by Hochwarter and Thompson (2012). The sample item includes, "My boss always has to be the center of attention no matter what." The Cronbach's alpha coefficient for the scale utilized in this study was determined to be 0.88.

Organizational cynicism was measured using the 5-item, as Pugh et al. (2003) outlined. Sample Items include "My company expects one thing of its employees but rewards another." For the current study, the Cronbach Alpha value was 0.79.

We used the 4-item scale proposed by Donnelly et al. (2003) to measure *premature signoff* of the staff auditors. Items of premature signoff included "I am more accepting of staff auditors engaging in premature signoff if they believe the audit step will not find anything wrong if completed." The value of the Cronbach Alpha for this study was 0.85.

Auditors' resilience was measured by a 10-item scale developed by Campbell-Sills and Stein (2007), who re-evaluated the confirmatory factor analysis and claimed that a 10-item scale (revised from the initial 25-item scale) could measure resilience with a reliability of 0.85 and determinacy of 0.93. The value of Cronbach Alpha for employee resilience was 0.89 for the current study.

Results

Preliminary Analyses

Preliminary analyses revealed the absence of missing values attributed to the individually administered questionnaire (Sekaran, 2003). According to Kline's (2016) methodology, a total of 7 responses were excluded from the analysis due to extreme values. This exclusion was determined by employing the Mahalanobis Distance test at a significance level of $p < 0.000$. The final analyses were conducted using the 217 remaining replies. The methodology employed in this study involved utilizing the approach outlined by Byrne (2010) to assess the normality of the data. The resulting analysis indicated that the skewness and kurtosis values fell within the established standard parameters, with a range of ± 1 for skewness and ± 3 for kurtosis. The

correlations between all variables were consistently below 0.85, as indicated in Table III. Consequently, no multicollinearity was detected (Tabachnick & Fidell, 2007).

Reliability and Validity of Measures

The researchers utilized a maximum likelihood estimate technique in the AMOS software due to the absence of multicollinearity in the data and the adherence to a normal distribution, as stated by Islam et al. (2021). Hair et al. (2010) assert that AMOS offers a comprehensive study, including assessing model fit indices. A confirmatory factor analysis (CFA) was performed for two primary purposes. Firstly, the measures included in this study were derived from prior research (Hair et al., 2010). Secondly, our objective was to ascertain how these measures align with the operational definitions of the components (Byrne, 2010). Standardized root mean residual (SRMR), root mean square error of approximation (RMSEA), and comparative fit index (CFI) were used to assess the model's goodness of fit (Brown, 2015; Hooper et al., 2008; McDonald & Ho, 2002). In agreement with the suggestions of Hair et al. (2010) and Raza et al. (2020), a cutoff of 0.50 was applied to factor loadings. Table 1 displays the comparison findings, showing that our model matched well.

Table 1

Model Fit Indices

Goodness of Fit Index	Standard Values	CFA	Measurement Model
χ^2/df	≤ 3	2.66	1.82
RMSEA	< 0.08	0.059	0.061
SRMR	< 0.10	0.033	0.035
CFI	≥ 0.90	0.96	0.94
GFI	≥ 0.90	0.92	0.91

The reliability of the scales was determined using Cronbach's alpha at the generally accepted cutoff of 0.70 (Cronbach, 1951). Table 2 demonstrates the consistency of all scales. Furthermore, to evaluate convergent validity, we conducted an assessment of composite reliability (CR) using the threshold of 0.60, as well as average variance extracted (AVE) using the threshold of 0.50, as recommended by Bagozzi and Yi (1988) and Raza et al. (2020). Therefore, the study was fine with the reliability and validity of the data collected (Table 3).

Table 2

Evaluation of the Measurement Model

Items	FL	∞	CR	AVE
Narcissistic Leadership				
My boss is a very self-centered person	0.74			
My boss has an inflated view of him/herself	0.76	0.88	0.91	0.58
My boss brags about him/ herself to get positive strokes from others	0.78			
My boss will do one favor as long as he/she gets two or more in return	0.74			

My boss will go out of his/her way to cause me harm to get ahead	0.79			
My boss always has to be the center of attention no matter what	0.76			
Organizational Cynicism				
I believe that my company says one thing and does another	0.77			
My company's policies, goals, and practices seem to have little in common	0.78			
When my company says it's going to do something, I wonder if it will really happen	0.71	0.79	0.83	0.55
My company expects one thing of its employees, but rewards another	0.69			
I see little similarity between what my company says it will do and what it actually does	0.73			
Premature Signoff				
I am more accepting of auditors' engaging in the premature signoff if:				
They believe the audit step will not find anything wrong if completed.	0.78			
On the previous audits there were no problems with this part of the client's system/records.	0.76	0.85	0.89	0.5
The audit supervisor shows strong concerns over the time it taking to complete the audit step and is putting pressure on getting it done.	0.77			
They believe the audit step is unnecessary.	0.75			
Employee Resilience				
I am able to adapt to changes	0.75			
I can deal with whatever comes	0.76			
I try to see humorous side of problems	0.75			
I feel coping with stress strengthen me	0.79			
I tend to bounce back after illness or hardship	0.88	0.89	0.89	0.58
I have frequent mood swings.	0.86			
I can achieve goals despite obstacles	0.79			
I am not easily discouraged by failure	0.81			
I think of myself as strong person	0.83			
I can handle unpleasant feelings	0.80			

Note: FL=Factor Loading; α = Cronbach's Alpha; CR=Composite Reliability; AVE=Average Variance Extracted

Descriptive and Correlational Analyses

The findings of the descriptive analysis are displayed in Table 3, indicating that participants exhibited consensus regarding their leader's narcissistic style (M = 4.315), organizational cynicism (M = 4.243), auditors' premature signoff (M = 4.431), and employees' resilience (M = 4.083).

Table 3
Descriptive and Validity Statistics

Variables	AVE	CR	A	Mean	SD	1	2	3	4
Narcissistic Leadership	.582	.91	0.881	4.315	0.608	0.762			
Organizational Cynicism	.551	.83	0.788	4.243	0.712	0.51**	0.742		
Premature Signoff	.571	.89	0.854	4.431	0.653	0.49**	0.36**	0.755	
Employee Resilience	.582	.89	0.890	4.083	0.671	0.35*	0.39*	0.25**	0.762

Notably, all categories demonstrated a standard deviation of less than 1. It was observed that there exists a positive correlation between narcissistic leadership with organizational cynicism (r = 0.51, p < 0.01), premature signoff (r = 0.49, p < 0.01), and employee resilience (r = 0.35, p < 0.05). In a similar vein, there exists a positive

correlation between organizational cynicism and PMSO ($r = 0.36, p < 0.01$), as well as between organizational cynicism and employee resilience ($r = 0.39, p < 0.05$). Moreover, a significant positive correlation exists between premature signoff and employee resilience ($r = 0.25, p < 0.01$).

Hypothesis Testing

In this study, a structural model was analyzed using 5000 rotations at a confidence level of 95% to assess the hypotheses proposed by Cheung and Lau (2008). The study observed significant correlations between narcissistic leadership and auditors' organizational cynicism ($\beta = 0.19, p = 0.00, t = 4.168, LL = 0.117, UL = 0.141$) as well as auditors' premature signoff ($\beta = 0.49, p = 0.00, t = 9.237, LL = 0.485, UL = 0.617$). Similarly, the study found that the level of organizational cynicism among auditors had a positive relationship with their acceptance of premature signoff ($\beta = 0.39, p = 0.002, t = 3.957, LL = 0.234, UL = 0.503$). The findings presented in this study support accepting the initial three hypotheses (H1, H2, and H3, correspondingly).

Table 4
Path Coefficients

Hypotheses	B	t-value	P-Value	Bootstraps at 95%	
				LL	UL
Direct effects					
H1:NL →OC	0.19	4.168	0.001	0.117	0.141
H2:NL →PMSO	0.49	8.327	0.000	0.485	0.617
H3:OC →PMSO	0.39	3.957	0.002	0.234	0.503
OC →PMSO	0.12		0.031	0.303	0.325
Indirect effect					
H4:NL→OC→PMSO	0.19		0.000	0.323	0.398
Moderation of Employee Resilience					
H5: NL X ER	-0.14		0.000	-0.137	-0.089

Note: NL = Narcissistic Leadership, OC=Organizational Cynicism, PMSO= Premature Sign off, ER=Employee Resilience

The researchers evaluated the mediating role of auditors' organizational cynicism by examining an indirect path. This path was determined by multiplying the coefficients of the relationship between narcissistic leadership and organizational cynicism with the relationship between organizational cynicism and premature signoff, as shown in Table 4. The study revealed a substantial indirect influence of organizational cynicism on the relationship between narcissistic leadership and premature sign off ($\beta = 0.19, p = 0.0001, LL = 0.323, UL = 0.297$). This indirect effect was stronger than the direct connection between narcissistic leadership and premature sign off ($\beta = 0.19$), with no overlap between the upper and lower bounds of the effect (Hayes & Rockwood, 2020). Therefore, it was discovered that the presence of

organizational cynicism among auditors amplifies the impact of narcissistic leadership on premature signoff (supporting Hypothesis 4).

The present study examined the potential moderating role of auditor's employee's resilience in the relationship between narcissistic leadership and auditors' organizational cynicism. This was accomplished by calculating an interaction term between narcissistic leadership and organizational cynicism. A noteworthy finding in our study was the substantial impact of auditors' resilience on organizational cynicism ($\beta = 0.12$, $p = 0.031$, $LL = 0.307$, $UL = 0.324$). Similarly, it was shown that the interactional term (ER-OC) had a significant effect ($\beta = -0.14$, $p = 0.000$, $LL = -0.137$, $UL = -0.089$), suggesting the presence of moderation. The researchers conducted a more detailed analysis of the slope to ascertain the impact of varying levels of ER on organizational cynicism.

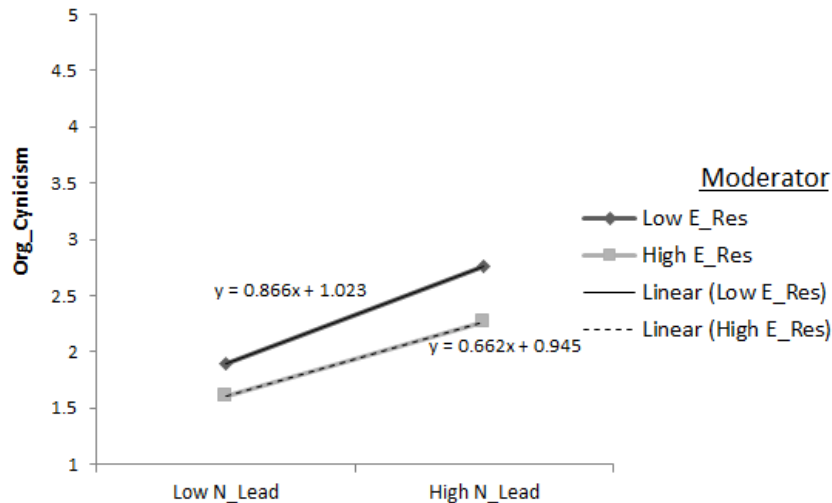


Figure 2. Slope of Moderation

Figure 2 illustrates this examination. The findings revealed that when auditors had a high level of resilience, the influence of strong narcissistic leadership on organizational cynicism declined, hence supporting Hypothesis 5.

Discussions

Our research found a strong association between senior auditors' narcissistic leadership (Nevicka et al., 2011) and junior auditors' organizational cynicism (Jiang et al., 2019) confirms social learning and exchange theories. It suggests that narcissistic auditors create a workplace where subordinates feel worthless (Friedman et al., 2021) and their opinions are ignored. An auditor's narcissistic fixation with personal validation (Shurden, 2014) might overshadow the team's goals, leading to mistrust and trust loss (Fakhri, 2023). The above tendency may encourage entry-level auditors to be skeptical and hesitant, affecting collaboration and audit group effectiveness.

Our research shows that senior auditors with narcissistic characteristics might encourage junior auditors to approve signoff judgments prematurely (Paino et al., 2011), which aligns with the postulates of the power-dependence theory (Xu et al., 2022). The narcissistic senior auditors' self-centeredness (Takada et al., 2021) and prioritizing personal success above situational analysis may influence their junior auditors' thoroughness and meticulousness (Johnson et al., 2021). Leaders who emphasize their interests (Frino et al., 2015) may reduce the importance of scrutiny (Izzah et al., 2020), increasing the likelihood of premature acceptance.

We also found evidence to confirm our third hypothesis, thus supporting Cognitive dissonance and job embeddedness theories. Findings suggest that cynic junior auditors may prematurely accept signoff due to a widespread lack of confidence and distrust (Juniariani et al., 2021). This pessimism may cause them to distrust the audit procedure's comprehensiveness (Soh et al., 2023), leading them to believe that additional investigation will not discover significant issues. Skepticism may reduce comprehensive scrutiny, making cynical auditors more susceptible to fast sign-offs. Skepticism and ambiguity in culture may compromise audit thoroughness and financial reporting system integrity. Our study also shows that organizational cynicism partially mediates the association between senior auditors' narcissism and junior auditors' premature signoff.

Finally, junior auditors' resilience (Zhang et al., 2023) may reduce the link between narcissistic senior auditors and organizational cynicism (Aboramadan et al., 2020; Li et al., 2021). Resilient juniors may prevent internalizing the negative effects of narcissistic seniors. Perseverance and adaptability help avoid negative and critical attitudes about the organization. Resilient junior auditors may stay upbeat and unbiased (Webster, 2015), avoiding team cynicism. Resilience breaks the detrimental circle, protecting a healthier business culture and reducing the negative consequences of narcissistic leadership on younger auditors' skepticism. Our argument resonates with the implications of conservation of resources theory.

Limitations and Future Research Directions

A sample of 217 auditors from three major Pakistani cities was examined. This survey may not represent Pakistan's auditing industry's viewpoints due to its small sample size and geographical scope. Future studies may benefit from a larger, more geographically diverse sample. Time-based cross-sectional studies gather data. This hinders causation and temporal change monitoring. Longitudinal research may explain the relationship between narcissistic leadership, organizational cynicism, and auditor resilience. Longitudinal research may discover causal relationships that cross-sectional ones cannot.

Self-administered surveys may bias replies and social likability. Future studies may incorporate interviews, observations, and objective performance evaluations to understand components. Interviews, content analysis, and quantitative surveys may reveal auditor-narcissistic leader interactions and resistance methods. In future studies, narcissistic leadership may affect varied contexts and regulatory regimes across sectors and nations.

Researchers and practitioners benefit from studying ways to mitigate narcissistic leadership's negative effects on organizational cynicism and auditor behavior. Leadership development or organizational culture enhancement may assist. Narcissistic leadership may affect external auditor-client and regulatory body relations, helping us understand this issue. The study includes just Pakistani audit firms. Extrapolating these findings to other nations or businesses with different cultural, organizational, and legal settings is dangerous.

This research ties Pakistani audits to narcissistic leadership, business cynicism, and auditor resilience. Future studies must realize its limits and pursue new routes to understand better this complex connection and its effects in many circumstances.

References

- Aboramadan, M., Turkmenoglu, M. A., Dahleez, K. A., & Cicek, B. (2020). Narcissistic leadership and behavioral cynicism in the hotel industry: the role of employee silence and negative workplace gossiping. *International Journal of Contemporary Hospitality Management*, 33(2), 428-447.
- Alberti, C. T., Bedard, J. C., Bik, O., & Vanstraelen, A. (2022). Audit firm culture: Recent developments and trends in the literature. *European Accounting Review*, 31(1), 59-109.
- Ampofo, E. T., & Karatepe, O. M. (2022). The effect of abusive supervision on turnover intentions: on-the-job embeddedness versus traditional attitudinal constructs. *Journal of Management and Organization*, 1-18. (ahead-of-print)

- Arel, B., Jennings, M. M., Pany, K., & Reckers, P. M. (2012). Auditor liability: A comparison of judge and juror verdicts. *Journal of Accounting and Public Policy, 31*(5), 516-532.
- Astuty, W., Anindya, D. A., Ovami, D. C., & Pasaribu, F. (2022). The impact of due professional care, time budget pressure and dysfunctional behavior on audit quality. *Academy of Entrepreneurship Journal, 28*(1), 1-10.
- Aydin, E. (2022). My supervisor keeps me in the dark: mushroom management style, organizational commitment and organizational cynicism. *Proceedings Book, 64*. (ahead-of-print)
- Aziz, K., Awais, M., Hasnain, S. S. U., Arslan, M., & Rahat, Q. (2017). Impact of workplace perception and servant leadership on organizational citizenship: The mediating role of employee cynicism. *International Journal of Research, 4*(9), 1479-1492.
- Bagozzi, R. P., & Yi, Y. (1988). On the evaluation for structural equation models. *Journal of the Academy of Marketing Science, 16*(1), 74–94.
- Bandura, A., & Walters, R. H. (1977). *Social learning theory* (Vol. 1). Prentice Hall.
- Bashiri Khesal, L., & Hosseini, S. H. (2023). The mediating role of organizational commitment and burnout in the relationship between organizational cynicism and professional skepticism. *Journal of Management Accounting and Auditing Knowledge, 12*(45), 231-250.
- Bashiri Khesal, L., & Hosseini, S. H. (2023). The role of professional commitment in the relationship between organizational cynicism and professional skepticism: the moderating role of professional ethics and auditor size. *Journal of Management Accounting and Auditing Knowledge, 12*(48), 389-410.
- Beggan, J. K., Allison, S. T., & Goethals, G. R. (2023). The hazards of great leadership: detrimental consequences of leader exceptionalism. *Elements in Leadership*. (ahead-of-print)
- Billings, B. (2020). Megachurches can have mega problems-insights from toxic leadership in modern megachurches [Bachelor thesis, Belmont University].
- Breevaart, K., Bakker, A. B., Hetland, J., & Hetland, H. (2014). The influence of constructive and destructive leadership behaviors on follower burnout. In M. P. Leiter, A. B. Bakker & C. Maslach (Eds.) *Burnout at work*. (pp. 102-121). Psychology Press.
- Brown, T. A. (2015). *Confirmatory factor analysis for applied research*. Guilford.

- Buchheit, S., Pasewark, W. R., & Strawser, J. R. (2003). No need to compromise: Evidence of public accounting's changing culture regarding budgetary performance. *Journal of Business Ethics, 42*, 151-163.
- Butler, R. W. (2020). *Enhancing leadership strategies to reduce stress on employees for organizational success*. [Doctoral dissertation, Walden University].
- Byrne, B. M. (2010). *Structural equation modeling with AMOS: Basic concepts, applications, and programming* (2nd ed.). Routledge.
- Cheung, G. W., & Lau, R. S. (2008). Testing mediation and suppression effects of latent variables: Bootstrapping with structural equation models. *Organizational Research Methods, 11*(2), 296–325.
- Church, B. K., Dai, N. T., Kuang, X., & Liu, X. (2020). The role of auditor narcissism in auditor-client negotiations: Evidence from China. *Contemporary Accounting Research, 37*(3), 1756-1787.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika, 16*, 297–334.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management, 31*(6), 874-900.
- Deng, H., Coyle-Shapiro, J., & Yang, Q. (2018). Beyond reciprocity: A conservation of resources view on the effects of psychological contract violation on third parties. *Journal of Applied Psychology, 103*(5), 561-577.
- Dewi, I. G. A. R. P., & Putri, P. Y. A. (2020). Audit quality reduction behavior: locus of control, job stress, time pressure. *International Journal of Environmental, Sustainability, and Social Science, 1*(2), 19-27.
- Dimgba, C. M., Ikon, M. A., & Onwuchekwa, F. C. (2022). Organizational cynicism and employee performance of logistics companies in Southwest Nigeria. *European Journal of Business and Innovation Research, 10*(1), 18-33.
- Donnelly, D. P., Quirin, J. J., & O'Bryan, D. (2003). Auditor acceptance of dysfunctional audit behavior: An explanatory model using auditors' personal characteristics. *Behavioral Research in Accounting, 15*(1), 87-110.
- Erkutlu, H., & Chafra, J. (2017). Leaders' narcissism and organizational cynicism in healthcare organizations. *International Journal of Workplace Health Management, 10*(5), 346-363.

- Fakhri, N. H. (2023). Leadership narcissism and its role in organizational cynicism field research in the federal office of financial supervision/agriculture and construction activity audit department. *Tikri Journal of Administration and Economics Sciences*, 19(61), 354-373.
- FeyzAbadi, F., & Dehqan, H. (2020). The impact of genuine leadership dimensions on auditors' ineffective behaviors through ethical culture in audit institutions. *Journal of Development & Evolution Management*, 12(42), 67-81.
- Friedman, H., & Fireworker, R. (2021). The biggest threat to an organization during the information age: Narcissistic leaders. *Academia Letters*, 4380, 1-8.
- Frino, A., Lim, M. Y., Mollica, V., & Palumbo, R. (2015). CEO narcissism and earnings management. Available at SSRN 2539555.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis: A global perspective* (7th ed.). Pearson.
- Hale, A., Guldenmund, F., & Goossens, L. (2017). Auditing resilience in risk control and safety management systems. In E. Hollnagel, D. D. Woods & N., Leveson (Eds.) *Resilience engineering* (pp. 289-314). CRC Press.
- Hayes, A. F., & Rockwood, N. J. (2020). Conditional process analysis: Concepts, computation, and advances in the modeling of the contingencies of mechanisms. *American Behavioral Scientist*, 64(1), 19–54.
- Herda, D. N., Cannon, N. H., & Young, R. F. (2019). Workplace mindfulness and its effect on staff auditors' audit quality-threatening behavior. *Behavioral Research in Accounting*, 31(1), 55-64.
- Hochwarter, W. A., & Thompson, K. W. (2012). Mirror, mirror on my boss's wall: Engaged enactment's moderating role on the relationship between perceived narcissistic supervision and work outcomes. *Human Relations*, 65(3), 335-366.
- Hooper, D., Coughlan, J., & Mullen, M. R. (2008). Structural equation modelling: Guidelines for determining model fit. *Journal of Business Research Methods*, 6(1), 53–60.
- Islam, T., Ahmad, S., Kaleem, A., & Mahmood, K. (2021). Abusive supervision and knowledge sharing: Moderating roles of Islamic work ethic and learning goal orientation. *Management Decision*, 59(2), 205–222.
- Izzah, M. H., & Laily, N. (2020). Premature Signoff of Audit Procedure. *Journal of Accounting and Business Education*, 4(2), 69-78.

- Jiang, Z., Hu, X., Wang, Z., & Jiang, X. (2019). Knowledge hiding as a barrier to thriving: The mediating role of psychological safety and moderating role of organizational cynicism. *Journal of Organizational Behavior*, 40(7), 800-818.
- Johnson, E. N., Lowe, D. J., & Reckers, P. M. (2021). The influence of auditor narcissism and moral disengagement on risk assessments of a narcissistic client CFO. *Journal of Accounting and Public Policy*, 40(4), 106826.
- Juniariani, N. M. R., & Lestari, N. L. P. R. W. (2021, April). Auditor's Dysfunctional Behavior by Integrating Machiavellian Properties, Role Stress, And Emotional Intelligence. In *WARDS 2020: Proceedings of the 3rd Warmadewa Research and Development Seminar*, WARDS 2020, 21 December 2020, Denpasar-Bali, Indonesia (p. 253). European Alliance for Innovation.
- Karim, A., Syamsuddin, I., Jumarding, A., & Amrullah, A. (2022). The effect of gender independence and leadership style on audit quality in makassar public accounting offices. *International Journal of Social Science Research and Review*, 5(7), 114-126.
- Khelil, I. (2022). Psychological capital, moral courage and internal audit effectiveness (IAE): a complementary or substitution effect. *Managerial Auditing Journal*, (ahead-of-print).
- Kline, R. B. (2016). *Principles and practice of structural equation modeling*. Guilford.
- Li, J., & Tong, Y. (2021). Does narcissistic leadership enhance employee resilience? A moderated mediation model of goal-directed energy and psychological availability. *Leadership and Organization Development Journal*, 42(5), 819-836.
- Louis, R. R., Sulaiman, N. A., & Zakaria, Z. (2022). A preliminary study on auditors' performance attributes—perceptions from accounting firm practitioners. *Asian Journal of Accounting Perspectives*, 15(2), 1-21.
- Maske, M., & Sohn, M. (2022). Do birds of a feather flock together? effects of manager and subordinate narcissism on performance evaluation. In *Academy of Management Proceedings* (Vol. 2022, No. 1, p. 10529). Briarcliff Manor, NY 10510: Academy of Management.
- McDonald, R. P., & Ho, M. H. R. (2002). Principles and practice in reporting statistical equation analyses. *Psychological Methods*, 7(1), 64–82.
- Morris PhD, J. T. (2009). *The impact of authentic leadership and ethical organizational culture on auditor behavior* (Doctoral dissertation, University of San Diego).

- Mousa, M., Abdelgaffar, H. A., Aboramadan, M., & Chaouali, W. (2021). Narcissistic leadership, employee silence, and organizational cynicism: A study of physicians in Egyptian public hospitals. *International Journal of Public Administration*, 44(15), 1309-1318.
- Nevicka, B., Ten Velden, F. S., De Hoogh, A. H., & Van Vianen, A. E. (2011). Reality at odds with perceptions: Narcissistic leaders and group performance. *Psychological Science*, 22(10), 1259-1264.
- Paino, H., Thani, A., Syid, S. I. Z., & Pahang, U. T. M. (2011). Attitudes toward dysfunctional audit behavior: the effect of budget emphasis, leadership behavior, and effectiveness of audit review. *Journal of Modern Accounting and Auditing*, 7(12), 1344.
- Panchali, J., & Seneviratne, S. M. (2019). Organizational cynicism and employee performance: evidence from a Sri Lankan audit sector. *Annals of Management and Organization Research*, 1(2), 155-169.
- Parker, L. D., Schmitz, J., & Jacobs, K. (2021). Auditor and auditee engagement with public sector performance audit: An institutional logics perspective. *Financial Accountability and Management*, 37(2), 142-162.
- Prundeanu, O., Constantin, T., & Candel, O. S. (2019). Different perspectives on narcissism in organizational contexts-a review and future research directions. *Annals of the Al. I. Cuza University, Psychology Series*, 28.
- Pugh, S. D., Skarlicki, D. P., & Passell, B. S. (2003). After the fall: Layoff victims' trust and cynicism in re-employment. *Journal of Organizational and Occupational Psychology*, 76, 201-212. <https://doi.org/10.1348/096317903765913704>
- Puspitasari, A., Baridwan, Z., & Rahman, A. F. (2019). The effect of audit competence, independence, and professional skepticism on audit quality with auditor's ethics as moderation variables. *International Journal of Business, Economics and Law*, 18(5), 135-144.
- Putra, M. D. P., Widanaputra, A. A. G. P., Ramantha, I. W., & Gayatri, G. (2020). The effect of organizational commitments in auditor performance with dysfunctional audit behavior as mediation variables. *International Research Journal of Management, IT and Social Sciences*, 7(1), 45-52.
- Raghunathan, B. (1991). Premature signing-off of audit procedures: An analysis. *Accounting Horizons*, 5(2), 71.

- Raza, S. A., Umer, A., Qureshi, M. A., & Dahri, A. S. (2020). Internet banking service quality, e-customer satisfaction and loyalty: The modified e-SERVQUAL model. *TQM Journal*, 32(6), 1443–1466.
- Ruiz-Barbadillo, E., & Martínez-Ferrero, J. (2022). The choice of incumbent financial auditors to provide sustainability assurance and audit services from a legitimacy perspective. *Sustainability Accounting, Management and Policy Journal*, 13(2), 459-493.
- Schmitz, J., & Leoni, G. (2019). Accounting and auditing at the time of blockchain technology: a research agenda. *Australian Accounting Review*, 29(2), 331-342.
- Sekaran, U. (2003). *Research methods for business* (4th ed.). John Wiley & Sons.
- Semedo, C. S., Salvador, A., Dos Santos, N. R., Pais, L., & Mónico, L. (2022). Toxic Leadership and Empowering Leadership: Relations with Work Motivation. *Psychology Research and Behavior Management*, 15, 1885-1900.
- Shurden, S. B. (2014). Identifying the effects of narcissistic leadership on employee job satisfaction: A study within the accounting profession (Doctoral dissertation, Clemson University).
- Smith, K. J., Emerson, D. J., Boster, C. R., & Everly, Jr, G. S. (2020). Resilience as a coping strategy for reducing auditor turnover intentions. *Accounting Research Journal*, 33(3), 483-498.
- Smith, K. J., Haight, T. D., Emerson, D. J., Mauldin, S., & Wood, B. G. (2020). Resilience as a coping strategy for reducing departure intentions of accounting students. *Accounting Education*, 29(1), 77-108.
- Soh, W. G., Antonacopoulou, E. P., Rigg, C., & Bento, R. (2023). Embedding a "reflexive mindset": lessons from reconfiguring the internal auditing practice. *Academy of Management Learning & Education*, 22(1), 88-111.
- Sulaiman, N. A. (2013). Audit quality in practice: A study of perceptions of auditors, audit committee members and quality inspectors. [Doctoral thesis, the University of Manchester].
- Tabachnick, B. G., & Fidell, L. S. (2007). *Using multivariate statistics* (5th ed.). Pearson.
- Takada, T., Lau, D., Casterella, J. R., & Wong, N. (2021). There is no I'in team: An analysis of audit partner narcissism from the team aspect. *International Journal of Auditing*, 25(3), 751-768.

- Van der Aalst, W. (2010). Auditing 2.0. *IEEE Computer*, 43(3), 90-93.
- Vance, R. J. (2006). Employee engagement and commitment. *SHRM Foundation*, 1, 1-53.
- Waweru, D. N., & Waithaka, P. (2023). Continuous improvement and performance of deposit taking sacco in Nyeri County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 4(2), 395-417.
- Webster, V. J. (2015). *The dark side of leadership and its impact on followers*. [Unpublished doctoral dissertation, Griffith University, Queensland]. au/bitstream/handle/10072/368169/Webster_2016_01Thesis.pdf.
- Wilson, J., Wahby, R. S., Corrigan-Gibbs, H., Boneh, D., Levis, P., & Winstein, K. (2017, June). Trust but verify: Auditing the secure Internet of things. In *Proceedings of the 15th Annual International Conference on Mobile Systems, Applications, and Services* (pp. 464-474).
- Xu, E., Huang, X., Robinson, S. L., & Ouyang, K. (2022). Loving or loathing? A power-dependency explanation for narcissists' social acceptance in the workplace. *Journal of Organizational Behavior*, 43(5), 783-800.
- Zakaria, N. B., Yahya, N., & Salleh, K. (2013). Dysfunctional Behavior among Auditors: The Application of Occupational Theory. *Journal of Basic and Applied Scientific Research*, 3(9), 495-503.
- Zamani, R. (2020). The Impact of Leadership Styles Considerations and Structure and Organizational Position on the Professional Commitment of Auditors. *Journal of Health Accounting*, 9(1), 21-40.
- Zhang, D. J., Veltrop, D. B., Hooghiemstra, R. B., & Rink, F. (2023). Does auditor resilience mitigate the effects of multiple team memberships on quality threatening behaviors? *Auditing: A Journal of Practice & Theory*, 42(4), 179-203.
- Ziegele, D., & Zerfass, A. (2021). Stress resilience: Researching a key competence for professionals in communication management. *Journal of Communication Management*, 25(4), 335-352.