

**UPPER ECHELONS CHARACTERISTICS AND EARNINGS
MANAGEMENT IN TROUBLED NON-LISTED COMPANIES IN
NIGERIA**

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(15PAA00888)**

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LIST OF ABBREVIATIONS

ALS – Autocratic Leadership Style
AMCON – Assets Management Corporation of Nigeria
AVE – Average Variance Extracted Estimate
CAC – Corporate Affairs Commission
CAM – Corporate Change in Accounting Methods
CEO – Chief Executive Officers
CFA – Confirmatory Factor Analysis
CFO – Chief Financial Officers
CGQ – Corporate Governance Quality
DLS – Democratic Leadership Style
EFA – Exploratory Factor Analysis
EM – Earnings Management
FO – Financial Officers
FRCN – Financial Reporting Council of Nigeria
ICT – Information Communication Technology
LLS – Laissez-faire Leadership Style
LSTY - Leadership Style
MT – Machiavellian Trait
MRA – Moderated Regression Analysis
NPI – Narcissistic Personality Inventory
NSE – Nigerian Security Exchange
NT – Narcissistic Trait
PT – Psychopathic Trait
PTRA – Personality Traits
RAM – Real Activities Management
SEC – Security and Exchange Commission
SEM – Structural Equation Modeling
SPSS – Statistical Package for Social Sciences
SRP – Self-Report Psychopathic Scale
TMT – Top Management Team

UEC – Upper Echelons Characteristics

UEDC – Upper Echelons Demographic Characteristics

UELS – Upper Echelons Leadership Styles

UEPT – Upper Echelons Personality Traits

ABSTRACT

Research has shown that companies in financial crises are usually successful in hiding their poor performance through aggressive earnings management. However, while research on negative earnings management practices has been generally directed towards the listed companies, these practices have been less examined in non-listed companies. The main objective of this study is to investigate the effect of the upper echelons' characteristics (UEC) on earnings management (EM) in selected troubled non-listed companies in Nigeria and examines the moderating effect of corporate governance quality (CGQ) on this relationship. To achieve the objective, a descriptive research design involving the survey method was explored. Using the Yamane's 1967 sampling size formula, 80 non-listed companies were selected from the list of 98 non-listed companies among the chronic debtors of Assets Management Corporation of Nigeria (AMCON). Copies of a questionnaire were administered on 240 participants (3 participants per company) including the chief financial officers (CFOs). Out of the 219 copies of the questionnaire retrieved, 204 copies, representing an 85.0% response rate were found suitable for data analysis. The research questions were answered by computing means and standard deviations while the hypotheses were tested with simple, multiple, step-wise and moderated regressions as well as structural equation modeling (SEM). Specifically, findings revealed significant positive relationships between corporate earnings management and the age ($\beta=.166$, $t = 2.760$, $P<.05$, Sig. 0.006), tenure ($\beta=.412$, $t = 6.861$, $P<.05$, Sig. 0.000), educational level ($\beta=.345$, $t = 6.484$, $P<.05$, Sig. 0.000), gender ($\beta=.156$, $t = 2.964$, $P<.05$, Sig. 0.003) and the personality traits ($\beta=.693$, $t = 12.527$, $P<.01$, Sig. 0.000) of the CFOs. Hence, matured, male and long-tenured CFOs as well as the CFOs without postgraduate degree in relevant disciplines were implicated in aggressive earnings management. However, upper echelons' leadership styles were found non-significant in negative earnings management prediction ($\beta=.075$, $t = .769$, $P>.05$, Sig. = .086). CGQ was found to be exerting a significant moderating effect on the observed upward earnings management attributable to the CFOs' age ($\beta=-.196$, $t = -2.895$, $P<.05$, Sig. = .002), gender ($\beta=-.250$, -3.807 , $P<.05$, Sig. = .001), educational level ($\beta=-.367$, -5.980 , $P>.05$, Sig. = .000), tenure ($\beta=-.504$, -6.998 , $P<.05$, Sig. = .000) and personality traits ($\beta=-.665$, -8.549 , $P<.05$, Sig. = .000). This result implies that high corporate governance quality can reverse the observed unethical corporate earnings management practices. Generally, findings revealed a relatively high level of earnings management which has significant positive relationships with the upper echelons' demographic characteristics and personality traits. It was concluded that the demographic and psychological characteristics of the top-level officials significantly predict the level of corporate earnings management. This study recommends the appointment of more middle-aged, female individuals with an advanced degree in financial-related disciplines as CFOs. Personality traits test is also advanced for the screening of individuals for upper echelons' positions. The study further recommends the formulation of an abridged, easy-to-implement code of corporate governance for non-listed companies in Nigeria.

Keywords: Corporate governance quality; demographics characteristics; earnings management; leadership styles; personality traits; troubled companies

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**A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
DOCTOR OF PHILOSOPHY (Ph.D.) DEGREE IN ACCOUNTING IN THE
DEPARTMENT OF ACCOUNTING, COLLEGE OF MANAGEMENT AND SOCIAL
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NOVEMBER, 2020

ACCEPTANCE

This is to attest that this thesis is accepted in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Ph.D.) in Accounting in the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota, Nigeria.

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DECLARATION

I, **TALEATU, TAOFIKI AKINWUMI** (15PAA00888), declare that this research was carried out by me under the supervision of Prof. Francis O. Iyoha, and Dr. (Mrs.) Dorcas T. Adetula of the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota. I attest that the thesis has not been presented either wholly or partly for the award of any degree elsewhere. All sources of data and scholarly information used in this thesis are duly acknowledged.

TALEATU, TAOFIKI AKINWUMI

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Signature and Date

CERTIFICATION

We certify that this thesis titled “**Upper Echelons Characteristics and Earnings Management in Troubled Non-listed Companies in Nigeria**” is an original research work carried out by **TALEATU, TAOFIKI AKINWUMI (15PAA00888)** in the Department of Accounting, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria under the supervision of Prof. Francis O Iyoha, and Dr. (Mrs.) Dorcas T. Adetula. We have examined and found this work acceptable as part of the requirements for the award of Doctor of Philosophy (Ph.D.) degree in Accounting.

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DEDICATION

This work is dedicated to the Almighty, the merciful God. He makes all things work together for good for those that believe in Him. Thank you, the Father, the Son and the Holy Spirit.

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