

THE HONG KONG POLYTECHNIC UNIVERSITY
DEPARTMENT OF MANAGEMENT & MARKETING
DEPARTMENTAL RESEARCH SEMINAR

**Probation Passed: Earnings Management in
Interim CEOs Succession Episodes**

By

Dr Yi Tang

Date: Monday, 25 February 2013

Time: 2:30 p.m. - 4:00 p.m.

Venue: M802

All interested are welcome

Probation Passed: Earnings Management in Interim CEOs Succession Episodes

Abstract

Guoli Chen
INSEAD, Singapore

Shuqing Luo
National University of Singapore

Yi Tang
Department of Management and Marketing
The Hong Kong Polytechnic University

Yixing Tong
Sun Yat-Sen University, China

Authors are listed in alphabetical order and contributed equally

Drawing from CEO succession research and impression management literature, our paper examines earnings management under interim CEOs, its impact on the likelihood of the interim CEO being promoted, and the influence of governance mechanisms on the relationship between the two. Using a compressive dataset on interim CEO succession events from 2004 to 2009, we find that (1) interim CEOs are more likely to engage in earnings management; (2) the greater the earnings management, the more likely the interim CEO will be promoted to the permanent position; and (3) the association between earnings management and the likelihood of interim CEO promotion can be mitigated by internal and external governance mechanisms.

Key words: Interim CEO Succession, Impression Management, Earnings Management, Corporate Governance