
Does External Audit Quality Moderate the Relationship Between CEO Entrenchment and Financial Communication Quality? Evidence from French Companies

Submitted 22/06/25, 1st revision 27/07/25, 2nd revision 27/08/25, accepted 15/09/25

Dhouha Bouaziz¹

Abstract:

Purpose: This paper aims to explore how external audit quality moderates the relationship between CEO's entrenchment and financial communication quality.

Design/Methodology/Approach: The study investigates the impact of CEO entrenchment on the quality of financial communication in a sample of 151 French companies listed on Euronext Paris over a 10-year period. The findings reveal a significantly positive association between CEO entrenchment and financial communication quality, evident across measures such as CEO duality and ownership. This suggests that CEOs holding dual roles wield more power and are more inclined to engage in earnings management, exacerbating agency issues. Additionally, the study identifies a notable negative correlation between CEO age and financial communication quality, indicating that older CEOs may be more prone to accounting manipulation.

Findings: The findings underscore the importance of implementing governance standards to mitigate information asymmetry among stakeholders and curb managerial opportunism.

Practical Implications:

Originality/Value:

Keywords: CEO's entrenchment, external audit quality, earnings management (EM), financial communication quality, CEO's ownership.

JEL Classification: M42, G34, G38, M41, G32.

Paper type: Research article.

¹Dr., Department of Accounting, Faculty of Economics and Management of Sfax, Tunisia,
e-mail: dhouha.fsegs@gmail.com;

1. Introduction

Over the years, issues concerning financial manipulation and the transparency of accounting information have garnered significant attention from both researchers and accounting professionals (Amara *et al.*, 2013). This focus stems from the crucial role of information reliability as a key qualitative characteristic of financial reporting (Salehi *et al.*, 2017). Highlighting the importance of accounting information for investors, Ball and Brown (2014) underscored its utility.

Consequently, institutional and potential investors seek access to information to aid their decision-making processes (Salehi *et al.*, 2017). Earnings management (EM), as defined by the Financial Times (2013), encompasses accounting decisions influencing financial reporting outcomes. Jensen and Meckling (1976) further posit that managers may resort to EM to enhance their well-being and financial status, raising questions about the necessity of CEO oversight.

This inquiry inherently relates to the conflict between shareholders and CEOs. Therefore, this paper aims to explore how external audit quality moderates the relationship between CEO's entrenchment and financial communication quality.

This study investigates the impact of CEO entrenchment on the quality of financial communication in a sample of 151 French companies listed on Euronext Paris over a 10-year period. The findings reveal a significantly positive association between CEO entrenchment and financial communication quality, evident across measures such as CEO duality and ownership. This suggests that CEOs holding dual roles wield more power and are more inclined to engage in earnings management, exacerbating agency issues.

Additionally, the study identifies a notable negative correlation between CEO age and financial communication quality, indicating that older CEOs may be more prone to accounting manipulation. Conversely, the relationship between CEO turnover and financial communication quality is found to be insignificant.

These findings underscore the importance of implementing governance standards to mitigate information asymmetry among stakeholders and curb managerial opportunism. Learned (1961) and Andrews (1971) argue that CEOs are responsible for shaping the company's strategy, while research by Malmendier and Tate (2005) and Adams *et al.* (2005) highlight the influence of CEO-specific profiles and characteristics. Consequently, executives leverage their positions to enhance their compensation and maintain their authority within the company.

Paquerot (1997) contends that managers strategically maneuver to consolidate their control over shareholders and stakeholders. On the contrary, Pigé (1998) defines entrenchment as managers' efforts to liberate themselves from shareholder oversight, enabling them to maximize profits and align interests with shareholders. However,

the absence of a standardized measurement model for the unobservable entrenchment variable poses a challenge.

In line with this perspective, Alexandre and Paquerot (2000) posit that strategies employed in CEO entrenchment aim to widen their discretionary latitude by utilizing available means, such as human capital and company assets, to nullify control systems and enhance the dependence of all firm stakeholders on the resources they control, including specific human capital and information asymmetry.

Conversely, Kontes (2010) contends that the CEO's role in organizational contractual theories analyses is relatively limited, given the company's pivotal position in maximizing shareholder value. Contrarily, according to Charreaux (1996, 1997) and relevant theories, CEO involvement can be passive, enabling them to counteract, diminish, or eliminate pressures from external actors—a phenomenon termed entrenchment.

This authority grants them control over company management and oversight. Specifically, CEO entrenchment hinges on several conditions: seeking indispensability in their role, thwarting potential changes, and asserting control over actions.

Additionally, Drucker (1967) asserts that CEOs within organizations exhibit diverse personalities, strengths, weaknesses, values, beliefs, and attributes. In this research, we conducted moderation analysis on two variables with a positive effect on the quality of financial communication.

The results indicate that external audit quality does not moderate the relationship between CEO duality and the quality of financial communication.

However, it positively moderates the relationship between CEO ownership and the quality of financial communication. Henceforth, the subsequent sections of this paper unfold as follows: Section 2 conducts a literature review and outlines the hypothesis development. Section 3 delineates the research methodology, followed by Section 4, which scrutinizes the regression results and engages in discussion. Lastly, Section 5 encapsulates the discussion and presents policy recommendations.

2. Literature Review and Hypothesis Development

2.1 Related Literature

In this context, in accordance with agency theory, company executives often have objectives that diverge from those of shareholders, as they tend to prioritize their own interests and exhibit risk aversion, as noted by Serfling (2014).

Drawing from Allouche and Amann's research (2002), he emphasized that "the general idea in the logic of the agency theory, is that in an opportunist approach, the manager will try to annihilate or weaken the control mechanisms put in place by the approach, the manager will try to annihilate or weaken the control mechanisms put in place by the shareholders or the stakeholders".

Indeed, according to agency theory, CEO entrenchment is believed to exert a detrimental effect on operational performance and company value, as highlighted by Gompers *et al.* (2003) and Masulis *et al.* (2007). Supporting this notion of agency theory and acknowledging the widespread dispersion of shareholders, Jensen and Meckling (1976) posited that entrenched leadership poses challenges.

Moreover, addressing the issue of earnings management (EM), Muda *et al.* (2018) suggested that effective monitoring through good corporate governance practices can mitigate such concerns. Therefore, within the framework of entrenchment theory, Shleifer and Vishny (1989), as well as Paquerot (1996), contend that neither internal nor external control mechanisms alone are adequate for effectively managing a firm.

In France, several authors have explored the concept of entrenchment theory, including Pichard-Stamford (1997) and Alexandre and Paquerot (2000). According to Alexandre and Paquerot (2000), entrenchment theory elucidates how governance mechanisms can bolster organizational efficiency and serve to entrench various stakeholders in their roles.

Essentially, entrenchment theory posits that internal parties within a company, such as managers and employees, strive to optimize their strategies to maintain their positions within the organizational structure.

However, as emphasized by Shleifer and Vishny (1989), an often-overlooked objective pursued by stakeholders is the creation of barriers to management substitution by shareholders, thereby thwarting potential competitors.

2.2 Hypotheses Development

We formulate hypotheses concerning the impact of CEO entrenchment on the quality of financial communication, assessed through discretionary accruals.

2.2.1 CEO entrenchment and financial communication quality

Hambrick and Fukotomi (1991) highlight the crucial correlation between CEO age and tenure, suggesting that older CEOs are more challenging to control due to their extensive experience. This experience reflects their management proficiency and human capital quality, indicative of potential entrenchment capacity, as noted by Ammari *et al.* (2016).

Previous theoretical and empirical research has posited CEO age as a significant factor contributing to entrenchment. Lee *et al.* (2020) and Rahman (2022) demonstrated, based on studies of listed Vietnamese real estate companies over the 2007-2016 period and selected firms listed on the Pakistani Stock Exchange from 2010 to 2018, respectively, that CEO age negatively impacts earnings management.

The CEO's power, synonymous with CEO duality, occurs when the CEO also holds the position of chairman of the board of directors. Korkeamäki *et al.* (2017) argue that CEOs with dual roles are better positioned to impose their personal preferences, potentially facilitating entrenchment behavior, as noted by Krause *et al.* (2014).

Conversely, Boyd (1995) suggests that CEO duality enhances managerial discretion, but its relationship with earnings management (EM) is contentious. Despite this, numerous studies have indicated a positive correlation between CEO duality and the extent of earnings manipulation.

For instance, Al-Sraheen and Alkhatib (2016) found a positive correlation between CEO duality and earnings management using Jordanian listed firms, while Triki Damak (2018) observed a similar trend in companies listed in the SBF120 index over the 2010-2014 period.

Baker *et al.* (2019) further corroborated this relationship using data from the ExecuComp database spanning from 1992 to 2010. However, Lanouar *et al.* (2013) and Zgarni *et al.* (2014) argued for the separation of the CEO and chairman roles, suggesting that this segregation deters the use of accrual earnings management.

In France, research on CEO turnover within companies is limited (Wells, 2002). However, various studies have investigated the relationship between earnings management (EM) and CEO turnover (Pourciau, 1993; Murphy and Zimmerman, 1993; Kalyta, 2009). Choi *et al.* (2014) assert that CEO replacement provides fertile ground for earnings management. Jönsson *et al.* (2017) observed that newly appointed managers are inclined to reduce earnings management, especially during their initial year.

Conversely, Strong and Meyer (1987) and Godfrey *et al.* (2003) concluded that CEOs tend to intensify results management during the year of their replacement, resulting in heightened negative earnings management. Conversely, in the two years preceding their departure, outgoing managers are inclined to inflate the company's accounting results (Pourciau, 1993; Mard and Marsat, 2009).

Furthermore, incoming managers strive to exhibit strong performance in the years following succession to solidify their position within the company. Managers nearing or beyond retirement age are more likely to be replaced by younger individuals, impacting on the company's accounting policies and managers' incentives for results management, as noted by Wells (2002).

CEO ownership refers to a situation where a manager possesses shares in the company. However, the impact of CEO ownership is intricate, as it can be linked to an entrenchment strategy. Morck *et al.* (1988) proposed that beyond governance mechanisms, CEO ownership contributes to entrenchment by reducing the likelihood of replacement. Conversely, Waweru and Prot (2018) found a positive correlation between shareholder ownership and earnings management based on a study of 48 companies listed on the Nairobi Stock Exchange and Dar es Salaam Stock Exchange from 2005 to 2014.

Similarly, Qawasmeh and Azzam (2020) confirmed this relationship using a sample of non-financial firms listed on the Amman Stock Exchange from 2010 to 2018. Therefore, our theoretical stance revolves around interpreting CEO ownership as a measure of entrenchment. Furthermore, we argue that higher CEO discretionary power allows for greater influence of their personality, consequently fostering entrenchment within the company. Drawing from a sample of 151 French-listed firms spanning from 2011 to 2020, we propose the following hypothesis:

Hypothesis H1.a: CEO age has a negative effect on financial communication quality.

Hypothesis H1.b: CEO duality has a positive effect on financial communication quality.

Hypothesis H1.c: CEO turnover has a negative effect on financial communication quality.

Hypothesis H1.d: CEO ownership has a positive effect on financial communication quality.

2.2.2 CEO's entrenchment external audit quality and financial communication quality

Audit quality is integral to the efficiency of financial markets, as it bolsters the reliability of financial information and promotes transparent governance practices through external audits (Chee Haat *et al.*, 2008). However, the definition of audit quality is multifaceted, with no universally agreed-upon definition (Ojala *et al.*, 2014).

Drawing from DeAngelo's definition, several studies emphasize the auditor's role in detecting and reporting violations or inaccuracies in accounting systems or financial statements (Kilgore *et al.*, 2014). Clinch *et al.* (2012) suggest that audit quality contributes to the quality of disclosed accounting information. The correlation between audit quality and earnings management is attributed to higher-quality auditors being more adept at uncovering questionable accounting practices (Francis, 2011).

Additionally, audit quality is evaluated based on the quality of the audit process, as asserted by Manita and Elommal (2010). Notably, research consistently highlights

the role of high-quality external audits as a governance mechanism, especially in the absence of robust internal corporate governance mechanisms (Desai *et al.*, 2012).

Audit quality is crucial for reducing earnings management by ensuring the credibility of financial statements. Scholars like Becker *et al.* (1998), Francis and Wang (2008), and Persakis and Iatridis (2016b) highlight audit quality as a key factor in mitigating earnings management. Research by DeAngelo (1981) and Francis *et al.* (2004) supports this, showing that higher audit quality leads to reduced earnings management.

Similarly, Bliss *et al.* (2011) discover that audit quality significantly and negatively affects discretionary accruals. Lin and Hwang (2010) emphasize the strong association between audit quality and earnings management, while Arens *et al.* (2010) argue that auditing functions decrease information asymmetry and conflicts of interest among stakeholders.

However, Yasar's (2013) research suggests that audit quality does not impact discretionary accruals. Several studies have investigated the link between audit quality and earnings management. One study analyzing data from Indian firms listed on the stock exchange from 1998 to 2009 found that earnings management decreases as audit quality improves (Houqe *et al.*, 2017).

Similarly, research on industrial firms in Jordan from 2006 to 2012 revealed that audit quality negatively impacts discretionary accruals (Alzoubi, 2018). External audit serves as a crucial tool for shareholders to ensure transparency and credibility in financial reporting (Habbash and Alghamdi, 2017), acting as a deterrent to earnings manipulation (DeAngelo, 1981).

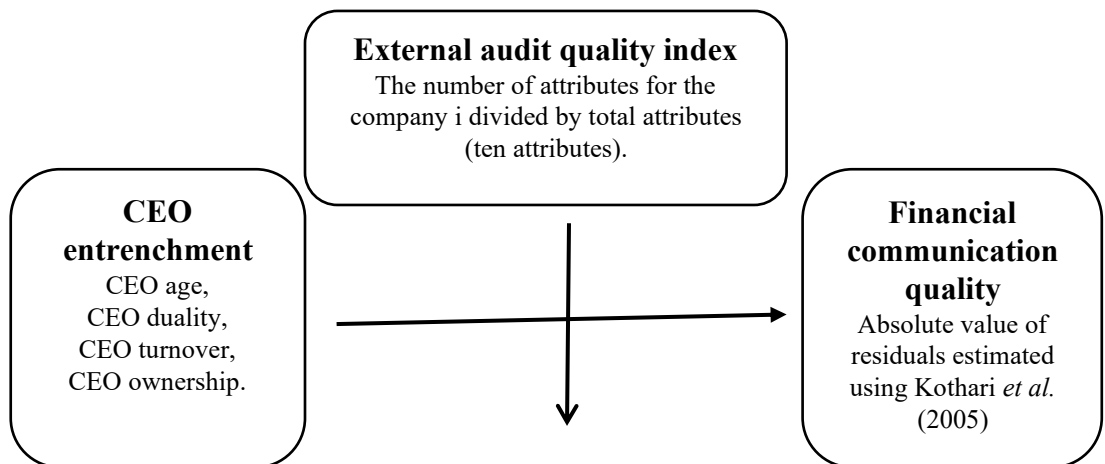
It functions as a governance mechanism by reducing information asymmetry, constraining discretionary power (Ellis and Whittington, 1993), and enhancing stakeholder oversight. The role of external audit is vital in ensuring compliance with accounting standards and accurately reflecting the company's financial position (Habbash and Alghamdi, 2017).

High-quality external audits have been shown to significantly reduce earnings management practices (Frankel *et al.*, 2002). Auditors' ability to identify and disclose questionable cases isn't solely dependent on their training and experience; it's also influenced by the incentives created by the relationships between audit firms, their clients, and other stakeholders (Watts and Zimmerman, 1986). Antle and Nalebuff (1991) elucidate that the "agency problem" arises because auditors' efforts are not observable, making audit services challenging to assess and regulate. Companies subject to audit incur lower debt costs compared to those without audits (Kim and Song, 2011), establishing audited financial statements as more trustworthy and yielding higher-quality information.

In our study, we opted to develop an External Audit Quality Index (EAQI), which consolidates these attributes into a single measure. Based on this, the hypothesis of our second hypothesis, framed within the French context, is as follows:

Hypothesis H2: External audit quality moderates the relationship between CEO entrenchment and financial communication quality.

Figure 1. *The moderating effect of external audit quality index on the relation between CEO entrenchment and financial communication quality*



Source: Own study.

3. Research Methodology

In the initial phase, we will outline the measurement of variables, followed by the presentation of the model design and data collection in the subsequent stage.

3.1 Variables Measurement

Measuring the dependent variable: financial communication quality:

This paper assesses the quality of financial communication using a proxy for earnings management (EM). Discretionary accruals are commonly employed in literature to identify such practices. Additionally, the asymmetrical information between managers and shareholders, stemming from moral hazard, may foster opportunistic managerial behavior, leading to detrimental earnings management practices. This explains the prevalence of earnings management in cases of information asymmetry.

However, it's worth noting that the definition of earnings management has faced criticism from various accounting experts. Earnings management is not a technical

term within accounting or finance, as it encompasses ethical considerations as well. The concept of earnings management (EM) lacks a precise and universally accepted definition or classification. As Krishnan and Parsons (2008) note, the ethical dimension often comes into question when determining the legality of earnings management practices.

Some scholars, like Schipper (1989), prefer to use the term "strategic earnings management" to describe deliberate interventions aimed at manipulating financial information for personal gain. Similarly, Dye (1998) suggests that earnings management results from managers exploiting information asymmetry with shareholders, while Blom (2009) characterizes it as management intervention in financial reporting to benefit individuals or the organization as a whole.

Earnings management typically involves manipulating a company's accounting income, as managers' compensation or tenure within the company may be tied to this figure. Lo (2008) highlights the fraudulent nature of earnings management, emphasizing its potential for suspicion, conflicting interests, and imprudence.

While earnings management often occurs within legal boundaries and is distinct from fraud, it remains a risky practice, as demonstrated by extensive evidence in the accounting literature, including studies by Healy (1985) and Cormier and Magnan (1995), which often utilize discretionary accruals to detect such behavior. More specifically, we use a cross-sectional model of accruals proposed by Kothari *et al.* (2005) to estimate the discretionary accruals and therefore enhance the robustness of our results.

Model of Kothari, Leone Andrew and Wasley Charles (2005) (Model 1)

$$TA_{it} / A_{it-1} = \beta_0 (1/A_{it-1}) + \beta_1((\Delta REV_{it} - \Delta REC_{it})/A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) + \beta_3 ROA_{it} + \varepsilon_{it}$$

where, for fiscal year t and firm i , TA represents the total accruals defined as the difference between the earnings and operating cash flows, A_{it-1} represents the total assets in $t-1$, ΔREV_{it} is the change in the revenues from the preceding year ($REV_t - REV_{t-1}$), ΔREC_{it} is the change in net accounts receivable from the preceding year ($REV_t - REV_{t-1}$), PPE_{it} stands for the gross value of property, plant and equipment and ROA_{it} represents the return on assets of firm i in year t .

Moreover, it should be noted that non-discretionary accruals refer to adjusted values derived from the models above, while discretionary accruals are defined as residuals.

Measuring the independent variables: The CEO's characteristics:

To investigate the influence of CEO entrenchment on earnings management (EM), we aim to categorize CEO characteristics into two groups: dummy variables and continuous variables. Therefore, the following metrics have been utilized in our study:

CEO age (AGE): We measure the CEO's age with the logarithm of his age.

CEO duality (DUAL): We measure the CEO's duality as a dummy variable, which takes value 1 if the two positions are combined (duality), and zero when the two positions are separated.

CEO turnover (TURN): We measure the CEO's turnover as a dummy variable, which takes value 1 if the CEO's identity changes during the fiscal year and 0 otherwise.

CEO ownership (OWN): We measure the CEO's ownership as a dummy variable, which takes 1 if the CEO holds shares in the company and 0 otherwise.

Measuring the moderating variables: The external audit quality:

External audit is considered as a governance mechanism tasked with reviewing the financial statements of the audited company. The objective of this mission is to ensure the reliability of the company's accounting and financial information. Indeed, high-quality audit serves as a guarantee for investors who rely on financial information. The quality of an audit can impact investors' perceptions of information risk, as higher-quality audits provide more rigorous verification of financial information and thus stronger assurance (Boone *et al.* 2008; Choi and Lee 2014).

Indeed, a significant body of literature links earnings management proxies with various audit characteristics such as audit firm size (Chen *et al.*, 2011; Francis *et al.*, 2013), audit-related fees and non-audit fees (Chung and Kallapur, 2003; Momparler *et al.*, 2011), auditor tenure (Chen *et al.*, 2008), and auditor expertise (Reichelt and Wang 2010).

Furthermore, audit firm size remains the most common indicator of audit quality, as audit firms affiliated with international networks are considered the most competent (Becker *et al.*, 1998; Francis *et al.*, 1999) and independent (DeAngelo 1981). We have chosen to construct an External Audit Quality Index (EAQI) that integrates external audit attributes into a single measure. In this case, we used the method adopted by Lajmi and Gana (2011), who proposed a new measure called the Audit Quality Index.

Four attributes are used in this measure: membership in one of the Big4 networks, co-audit, membership in one of the Big4 networks and co-audit, and auditor fees. In our case, the criteria of audit firm size, co-audit, Big4 co-audit, rotation, opinion, tenure, experience, and industry specialization are each scored 0 or 1. For the two variables of delay and audit fees, a score of 1 is assigned if the value of this criterion is above the median, and '0' if not. In this case, the index is calculated by summing the scores obtained for each year at the level of each company.

This index is structured around 10 components presented in Table 1 below. The overall measure of audit quality is obtained by dividing the total points obtained for each company by the total number of items.

EAQI = Value of items for audit quality / Total number of items (10 items).

Measuring the control variables:

In line with prior research and theoretical frameworks, we included the following control variables in our analysis:

Firm size (SIZE), represented by the logarithm of total assets.

Firm leverage (LEV), calculated as the ratio of liabilities to total assets.

Firm performance (ROA), determined by dividing net income by total assets in year t.

Market to book ratio (MTB), computed as the sum of market capitalization and total debt divided by the book value of total assets.

Firm age (AGE), quantified by the number of years since the company's inception.

Table 1. Summary of the variables' definitions

Variable	Definition	Measure	Authors
Dependent variable			
DA	Discretionary accruals	Absolute value of residuals estimated using Kothari <i>et al.</i> (2005) model.	
Independent variables			
AGD	CEO's AGE	The logarithm of the CEO's age.	Lin <i>et al.</i> (2014); Belot and Serve (2018); Bouaziz <i>et al.</i> (2020).
DUAL	CEO's duality	Dummy variable is equal to 1 if the CEO is also the chairman of the board of directors, and 0 otherwise.	Wang <i>et al.</i> (2019); Yahaya (2022); Bouaziz and Jarbouia (2024).
TURN	CEO's turnover	Dummy variable is equal to 1 if the identity of the general manager changes and 0 otherwise.	Paquerot (1996); Agrawal and Cooper (2017); Bouaziz <i>et al.</i> (2020).
OWN	CEO's ownership	Dummy variable equal to 1 if the CEO holds shares in the company and 0 otherwise.	Haas and Speckbacher (2017); Bouaziz and Jarbouia (2024).
Moderating variable			
External Audit quality		The external audit quality index consists of ten items. The total score is a percentage of items proportion.	We built an external audit quality index inspired by the prior external audit quality index research (Wahab <i>et al.</i> 2011; Zgarni <i>et al.</i> 2016; Riguen <i>et al.</i> 2018, Siala and Jarbouia 2019)
Control variables			
SIZE	Firm's size	Log of the firm's total assets.	Lopes (2018); Yahaya (2022).
LEV	Firm's	Ratio of total liabilities to total	Triki Damak (2018);

	leverage	assets.	García-Sánchez <i>et al.</i> (2020).
ROA	Firm's performance	Net income divided by total assets in year t.	El Guindy and Basuony (2018); García-Sánchez <i>et al.</i> (2020).
MTB	Market to Book	Total of the market capitalization and the total debt to the book value of the total assets.	Yasar (2013); Alzoubi (2018); Qawasmeh and Azzam (2020).
AGE	Firm's age	The number of years of existence of the company since its creation.	Muttakin <i>et al.</i> (2017); Qawasmeh and Azzam (2020).

Source: Own study.

Data collection and sample selection:

Our sample comprises French firms listed on the CAC All Shares index spanning from 2011 to 2020. Financial institutions were excluded due to their unique financial reporting behavior, along with firms lacking adequate annual reports and CEO data.

Consequently, our final dataset comprised 151 companies over the ten-year period. CEO characteristics data were manually collected from annual reports obtained from www.boursier.com/indices and Zone bourse website, while financial data were sourced from Datastream. The CAC All Tradable index encompasses all stocks on the Euronext Paris market with an annual Free Float Velocity exceeding 20%.

This index primarily includes the largest French companies whose managers may engage in earnings management practices to influence stakeholders, as noted by Salah and Jarboui (2023). Additionally, France is characterized by a participatory corporate governance model that considers the interests of all company stakeholders, as highlighted by Salah and Jarboui (2022).

3.2 Model Design

We conducted a panel regression analysis on a sample comprising 151 firms listed on the French CACALL index over a ten-year period from 2011 to 2020. Our model aims to test several research hypotheses and is structured as follows:

$$DA|_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (SIZE_{it}) + \beta_6 (LEV_{it}) + \beta_7 (ROA_{it}) + \beta_8 (MTB_{it}) + \beta_9 (AGE_{it}) + \varepsilon_{it}. \text{ (Model. 2)}$$

$$DA|_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (EAQI_{it}) + \beta_6 (DUAL_{it} * EAQI_{it}) + \beta_7 (OWN_{it} * EAQI_{it}) + \beta_8 (SIZE_{it}) + \beta_9 (LEVER_{it}) + \beta_{10} (ROA_{it}) + \beta_{11} (MTB_{it}) + \beta_{12} (AGE_{it}) + \varepsilon_{it}. \text{ (Model. 3)}$$

DA: Discretionary accruals estimated using the model of Kothari *et al.* (2005).

Where the dependent variable takes the firms of absolute value of discretionary accruals in year t $|DA|$; is our measurement of the EM in the current year, and the independent variables are, CEO age (AGD), CEO duality (DUAL), CEO turnover (TURN), CEO ownership (OWN), firm size (SIZE), firm leverage (LEV), Return on equity (ROA), Market To Book (MTB), firm age (AGE). These variables are defined in Table 1.

Table 2 presents the attributes of the external audit quality index as described above, while in Table 3 we present the sample selection procedure and in Table 4 the distribution of the sample according to sector's type.

Table 2. *Attributes of the External Audit Quality Index*

Attributes	Measures
Auditor size	A dichotomous variable taking the value '1' if the auditor is a member of the Big 4 and '0' otherwise.
Audit Lag	A continuous variable defined as the number of days from the end of the financial year and the date of the auditor's report.
Co-Statutory	A dichotomous variable taking the value '1' if the company is additionally audited by another auditor (not big) and '0' otherwise.
Co-Statutory Big	A dichotomous variable taking the value '1' if the company is additionally audited by another auditor belonging to a Big 4 type audit firm and '0' otherwise.
Auditor rotation	A dichotomous variable taking the value '1' if there is rotation after 3 years and '0' otherwise.
Audit opinion	A dichotomous variable taking the value '1' if the company receives a modified audit opinion and '0' otherwise.
Audit fees	Logarithm of audit fees.
Audit tenure	A dichotomous variable taking the value '1' if the auditor works with a client for 2, 3 or 4 consecutive years and '0' otherwise.
Audit Experience	A dichotomous variable taking the value '1' if it has been in the audit for at least three years and '0' otherwise.
Auditor specialization	A dichotomous variable taking the value '1' if the auditor is specialized and '0' otherwise.
Audit quality index (EAQI=10)	A quality audit (EAQI = 10) assumes the application of the formula that the ten attributes will be checked for the external audit of the company. The total score is a percentage of items proportion.

Source: *Own study.*

Table 3. *Sample selection procedure*

Description	Number of companies
Initial sample listed on CAC ALL Shares index	335
Financial firms	(40)
Firms with insufficient annual report	(89)

Firms with insufficient data	(55)
Final sample	151
Duration study	10
Total observations	1510

Source: *Own study.*

Table 4. *Distribution of the sample according to sectors' type*

Sector	Observation
Industrial sector	
Construction material	6
Various industries	55
Total industrial firms	61
Commercial sector	
Total commercial firms	23
Service sector	
Computer service and consulting	16
Construction and Mining	6
Transport, communication, gaz	12
Various service	33
Total service firms	67
Total firms	151

Source: *Own study.*

4. Empirical Results and Discussion

This study centers on discretionary accruals as a method of earnings management, employing the model proposed by Kothari *et al.* (2005). The analysis commences with descriptive statistics, followed by correlation analysis. Subsequently, the results of the regression analysis are presented and discussed to assess the validation of the hypotheses.

4.1 Descriptive Statistics

Table 6 provides a summary of the statistics for the variables tested in our regression analysis. Panel A outlines the descriptive statistics of the continuous variables in the discretionary accruals model, including mean values, medians, standard errors, maximum and minimum values. Panel B presents the descriptive statistics of the dichotomous and continuous variables for the firms in our sample. Analyzing Panel A of Table 6, the average absolute value of discretionary accruals is 0.067, with minimum and maximum values of 0.000 and 1.945, respectively. The median value is 0.039, with a standard deviation of 0.112. The descriptive statistics for the continuous variables indicate that the CEO's age, measured by the logarithm of the CEO's age, has an average value of 3.981, with a minimum of 3.135 and a maximum of 4.407.

As can be seen from Table 6, the average external audit quality is 0.578, with minimum and maximum values of respectively 0.2 and 0.9. The average firm size in the sample is approximately 13.933, ranging from a minimum of 8.189 to a maximum of 19.437, with a standard deviation of 2.237. Financial leverage, the second control variable, averages 27% of total assets, indicating that firms in the sample rely slightly more on equity than on debt. The market-to-book ratio (MTB) has an average value of 1.85%. The sampled firms demonstrate profitability, with an average return on assets (ROA) of 3.47%. The average age of the sampled firms is 51.04 years, with a minimum firm age of one year and a maximum of 187 years.

Table 6. Descriptive statistics

Panel A: Summary statistics for continuous variables

Variable	N	Mean	S.d	Min	Max	Median
Control variables						
DA	1510	0.067	0.112	0.000	1.945	0.039
AGD	1510	3.981	0.166	3.135	4.407	4.007
EAQI	1510	0.578	0.124	0.2	0.9	0.6
SIZE	1510	13.933	2.237	8.189	19.437	13.698
LEV	1510	0.267	0.646	0	21.750	0.215
MTB	1510	1.846	2.557	-16.66	49.38	1.465
ROA	1510	3.473	9.678	-160.680	46.650	4.258
AGE	1510	51.044	44.917	1	187	33

Where: DA is discretionary accruals, AGD is CEO age, EAQI is external audit quality index, SIZE is firm size, LEV is firm leverage, MTB is Market To Book ratio, ROA is return on assets, AGE is firm size.

Panel B: Summary statistics for dichotomous variables

Variables	Modality	Frequencies	Percentage
DUAL	0	700	46.36%
	1	810	53.64%
TURN	0	1389	91.99%
	1	121	8.01%
OWN	0	456	30.19%
	1	1054	69.81%

Where: CEO duality is DUAL, CEO turnover is TURN, CEO ownership is OWN.

Source: Own study.

Panel B of Table 6 displays the descriptive statistics of dichotomous variables. It reveals that 53.64% of the French companies in our sample have CEOs who also serve as chairmen, while only 46.36% have CEOs with separate roles. Additionally, only 8.08% of the sampled companies experienced a CEO change between 2011 and

2020. Furthermore, 69.81% of CEOs are shareholders and hold a percentage of the share capital, whereas 30.19% of CEOs are not shareholders.

4.2 Correlation Analysis

The Spearman Correlation Matrix in Table 7 is employed to examine the relationships among the independent variables (CEO's characteristics), the moderating variable (external audit quality), and the control variables. Our investigation revealed varying coefficients across the variables.

However, Soliman *et al.* (2013) identified a potential issue of multicollinearity among the independent variables, where Spearman's correlation coefficients were expected to surpass 0.8. As shown in Table 7, the highest correlation is observed between the firm's size and external audit quality variables, amounting to 0.4627. Nevertheless, the table indicates that there is no multicollinearity problem among the independent variables utilized in our research model, as none exceeds the threshold of 0.8.

Table 7. *Correlation matrix analysis*

	EAQI	AGD	DUAL	TUR N	OWN	SIZE	LEV	ROA	MTB	AGE	VIF
EAQI	1.0000										1.27
AGD	0.2144 ***	1.0000									1.19
DUAL	0.0484 ***	0.2819 ***	1.0000								1.11
TURN	0.0649	-0.077 ***	-0.0732 ***	1.0000							1.05
OWN	-0.026	0.0284	0.1036* **	-0.095 ***	1.0000						1.03
SIZE	0.4627 ***	0.2814 ***	0.0881* **	0.0407	-0.0387	1.0000					1.49
LEV	0.0412	0.0434	-0.0247	0.0581 **	0.0381	0.2784 ***	1.0000				1.03
ROA	0.0141	0.0382	-0.0681 *	-0.041	-0.0280	0.0947 ***	-0.187 ***	1.0000			1.06
MTB	-0.011	0.0173	0.0047	-0.070 ***	0.0391	0.0865 ***	-0.179 ***	0.3347 ***	1.000		1.01
AGE	0.2326 ***	0.2658 ***	-0.0369	0.0598	-0.1145 ***	0.4026 ***	0.1833 ***	0.1705 ***	0.009	1.00	1.23

Source: *Own study.*

4.3 Regression Analyses Results

The Hausman test was conducted on the sample of 151 firms spanning from 2011 to 2020, with discretionary accruals as the dependent variable. This test is crucial for examining the endogeneity of the model's variables. The results of the Hausman test reveal a chi-square value significantly at the 1% level ($p = 0.000$). Additionally, the Breush Pagan test, utilized to differentiate between fixed and random effects,

confirms the exogeneity hypothesis of the model variables. Consequently, the random effects regression is deemed appropriate over the fixed effect approach.

Table 8. *Hausman test result*

	Model 2
Hausman test	48.22 (0,0000)

Source: Own study.

Table 9 reports the results of the discretionary-accruals regression on the explanatory variables. The adjusted R^2 for the first regression (Kothari *et al.* 2005) model) is equal to only 28.66% and 28.65% for the second model.

Analyzing Table 9 reveals a noteworthy finding regarding the relationship between CEO age and earnings management (EM). The data shows a significant negative correlation at the 1% level, with a coefficient of -0.014 ($p > z = 0.001$). This aligns with prior studies by Belot and Serve (2018), Lee *et al.* (2020), and Rahman (2022), all of which report a similar negative association between CEO age and earnings management (EM). Essentially, this implies that as CEOs age, the propensity for earnings management tends to diminish. The significance of the coefficient underscores the notion that older CEOs are less inclined to engage in income manipulation.

Table 9. *Multi-variate regressions of the CEO's entrenchment, external audit quality, financial communication quality (Kothari et al. 2005) and other control variables*

	Panel : CEO's entrenchment		Panel: EAQI	
	Model. 2		Model.3	
	Coefficients	p-value	Coefficients	p-value
	Independent variables		Independent variables	
AGD	-0.014	0.001***	-	-
DUAL	0.005	0.001***	0.002	0.781
TURN	0.001	0.519	-	-
OWN	0.004	0.008***	-0.013	0.131
EAQI	-	-	-0.005	0.655
EAQI*DUAL	-	-	0.001	0.900
EAQI*OWN	-	-	0.029	0.041***
	Control variables			
SIZE	-0.014	0.000***	-0.014	0.000***
LEVR	0.013	0.000***	0.014	0.000***
ROA	0.002	0.000***	0.002	0.000***
MTB	0.005	0.000***	0.004	0.000***
AGE FIRM	-0.000	0.132	-0.000	0.027**
R-square	0.2866		0.2865	
Prob>F	0.0000		0.0000	
Wald Chi2	1110.96		1038.13	
Prob > chi2	0.0000		0.0000	

Statistical significance: ***, **, and * denote a significance at 1%, 5%, and 10% levels, respectively. The dependent variable is represented by discretionary accruals (DA). This variable is estimated via the model of Kothari *et al.* (2005). The moderating variable is EAQI: external audit quality index; The explanatory variables are defined as follows: AGD: The logarithm of the CEO's age; DUAL: Dummy variable is equal to 1 if the CEO is also the chairman of the board and 0 otherwise; TURN: Dummy variable equal to 1 if the identity of the general manager changes and 0 otherwise; OWN: Dummy variable is equal to 1 if the CEO holds shares in the company and 0 otherwise; Firm's size: The Log of firm's total assets; Firm's leverage: The ratio of total liabilities to total assets; Firm's performance: The net income divided by total assets in year t ; Market to Book: The total of the market capitalization and the total debt to the book value of the assets; Firm's age: The number of years of existence of the company since its creation.

Source: *Own study.*

Consequently, in line with H2, the results of the multivariate analysis using the Kothari *et al.* (2005) model indicate a significant positive association between discretionary accruals and CEO duality. The regression coefficients of the Kothari *et al.* model (2005) are significant at the 1% level, with respective values of $z = 0.005$ and $p > z = 0.001$.

This finding mirrors previous research by Al-Sraheen and Alkhatib (2016), Triki Damak (2018), and Baker *et al.* (2018), all of which support the notion that CEO duality correlates positively with the extent of earnings manipulation. Essentially, a CEO holding both the CEO and chairman roles lacks the oversight necessary to effectively monitor the firm's operations, thereby potentially fostering earnings management (EM).

In testing H3, the results displayed in Table 9 reveal that the association between CEO turnover and earnings management (EM) is not statistically significant, with a coefficient of $z = 0.001$ and $p > z = 0.519$. This finding diverges from the conclusions drawn by Hazarika *et al.* (2012), who reported that newly appointed CEOs tend to exhibit higher levels of earnings management (EM).

Table 9 indicates a noteworthy positive correlation between CEO ownership and earnings management (EM), as assessed by the Kothari *et al.* (2005) model for estimating discretionary accruals. The regression coefficient is significant at the 1% level, with values of $z = 0.004$ and $p > z = 0.008$. This outcome suggests that CEOs holding shares in French firms are more inclined to engage in earnings manipulation.

The results indicate that external audit quality has a non-significant impact on the Kothari *et al.* (2005) models. This finding does not support our hypothesis that the audit quality index has a moderating effect. Additionally, the same table reveals that the quality of external audit significantly moderates the relationship between manager entrenchment and financial communication quality, contrary to our expectations.

Thus, in our study, the audit quality index does not serve as a moderating factor. Thus, we observe that the quality of external audit is insufficient to curb the ambitions of the manager. Indeed, managers have multiple objectives: they either seek to entrench themselves and impose their influence on other stakeholders of the company, or to publish financial statements that align with their objectives rather than being in line with the reality of the company.

In fact, the power of the manager in our case surpasses the presence of high-quality audit. The examination of the regression table shows that the audit quality index has not been able to deter the manager from resorting to accounting manipulation and remains inadequate to compel managers to run the company in accordance with shareholders' interests.

Thus, we can explain this positive and significant relationship by the manager's success in circumventing the quality of audit in general and enlisting the auditor in their cause. In examining the control variables, it was observed that firm size, leverage, performance, and market-to-book ratio (MTB) hold significance in the two-regression model. Specifically, Table 9 reveals that firm size exhibits a negative and statistically significant relationship with discretionary accruals at the 1% level in the Kothari *et al.* (2005) model.

This finding corroborates prior research by Alqatamin *et al.* (2017), Chandra and Wimelda (2018), and Qawasmehand and Azzam (2020), suggesting a negative association between firm size and earnings management (EM). Larger firms are generally less inclined to engage in income manipulation.

Moreover, the analysis indicates that firm leverage demonstrates a significant positive coefficient in the regression of the Kothari *et al.* (2005) model. This aligns with the findings of Alzoubi (2018) and Yahaya (2022), suggesting that higher levels of debt correspond to increased earnings management practices. Additionally, the variable representing firm performance shows a positive association with discretionary accruals in the Kothari *et al.* (2005) model. This trend mirrors the results of Lopes (2018) and Rahman (2022), indicating that companies with higher profitability tend to exhibit greater intensity of earnings management. Furthermore, the MTB control variable displays a positive and significant relationship with discretionary accruals in the Kothari *et al.* (2005) model.

This outcome aligns with Martinez and Moraes (2017), suggesting that firms with higher accounting market ratios are more likely to engage in earnings management practices. Lastly, while firm size exhibits a negative coefficient in the CEO's entrenchment regression, it is not statistically significant. This finding is consistent with the results of Muttakin *et al.* (2017) and Alzoubi (2018), which indicate a non-significant negative correlation between discretionary accruals and firm age. Thus, there appears to be no discernible relationship between firm size and earnings

management, regardless of the age of the company. However, for the second regression, the firm age acts negatively on the quality of financial communication.

4.4 Robustness Checks

An additional analysis serves to ascertain the robustness of the main results. Indeed, we re-ran the regression analyses with alternative measures for the earnings management (EM) (Jones modified, 1995; Raman and Shahrur, 2008).

Modified Jones model: Dechow, Sloan and Sweeney (1995) (Model 3):

$$TA_{it} / A_{it-1} = \beta_0 (1/A_{it-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it})/A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) + \varepsilon_{it}.$$

Where, in fiscal year t for firm i , TA represents the total accruals defined as the difference between the earnings and the operating cash flows, A_{it-1} represents the total assets in $t-1$, ΔREV_{it} is the change in revenues from the preceding year ($REV_t - REV_{t-1}$), ΔREC_{it} is the change in net accounts receivables from the preceding year ($REV_t - REV_{t-1}$), and PPE_{it} stands for the gross value of the property, plant and equipment.

Model of Raman and Shahrur (2008) (Model 4):

$$TA_{it} / A_{it-1} = \beta_0 (1/A_{it-1}) + \beta_1 ((\Delta REV_{it} - \Delta REC_{it})/A_{it-1}) + \beta_2 (PPE_{it}/A_{it-1}) + \beta_3 ROA_{it} + \beta_4 MTB_{it} + \varepsilon_{it}.$$

Where, MTB represents the book-to-market ratio of firm i in year t . In fact, we examined the impact of the CEO's entrenchment on the financial communication quality using Jones's modified (1995) on the one hand, Raman and Shahrur (2008) model on the other.

$$DA_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (SIZE_{it}) + \beta_6 (LEVER_{it}) + \beta_7 (ROA_{it}) + \beta_8 (MTB_{it}) + \beta_9 (AGE_{it}) + \varepsilon_{it}. \text{ (Model 5)}$$

$$DA_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (EAQI_{it}) + \beta_6 (DUAL_{it} * EAQI_{it}) + \beta_7 (OWN_{it} * EAQI_{it}) + \beta_8 (SIZE_{it}) + \beta_9 (LEVER_{it}) + \beta_{10} (ROA_{it}) + \beta_{11} (MTB_{it}) + \beta_{12} (AGE_{it}) + \varepsilon_{it}. \text{ (Model 6)}$$

Where: DA Discretionary accruals estimated using the model of Jones modified (1995)

$$DA_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (SIZE_{it}) + \beta_6 (LEVER_{it}) + \beta_7 (ROA_{it}) + \beta_8 (MTB_{it}) + \beta_9 (AGE_{it}) + \varepsilon_{it}. \text{ (Model 7)}$$

$$DA_{i,t} = \beta_0 + \beta_1 (AGD_{it}) + \beta_2 (DUAL_{it}) + \beta_3 (TURN_{it}) + \beta_4 (OWN_{it}) + \beta_5 (EAQI_{it}) + \beta_6 (DUAL_{it} * EAQI_{it}) + \beta_7 (OWN_{it} * EAQI_{it}) + \beta_8 (SIZE_{it}) + \beta_9 (LEVER_{it}) + \beta_{10} (ROA_{it}) + \beta_{11} (MTB_{it}) + \beta_{12} (AGE_{it}) + \varepsilon_{it} \text{ (Model 8)}$$

Where: DA Discretionary accruals estimated using the model of Raman and Shahrur (2008).

Table 10 shows the results after redoing all the empirical tests. Models (6) and (8) showed that the external audit quality positively moderates the relationship between the CEO duality and the quality of financial communication) measured by Jones's modified (1995) model and Raman and Shahrur (2008) model ($\alpha = 0.052$, $p < 5\%$), ($\alpha = 0.040$, $p < 10\%$) respectively. The quality of external audit may not necessarily curb managerial entrenchment for several reasons. Firstly, external audit quality may not be sufficient to detect all managerial entrenchment practices, especially if they are subtle or not in accordance with accounting standards.

Table 10. Multivariate regressions of CEO entrenchment, external audit quality, financial communication quality (Jones modified 1995 model; Raman and Shahrur 2008 model) and other control variables

	Panel : CEO's entrenchment				Panel: EAQI			
	Model. 5		Model. 6		Model. 7		Model. 8	
	Coef	p-value	Coef	p-value	Coef	p-value	Coef	p-value
	Independent variables				Independent variables			
AGD	-0.01	0.197	-	-	-0.01	0.144	-	-
DUAL	0.010	0.000 ***	-0.022	0.114	0.007	0.007 ***	-0.01	0.225
TURN	-0.000	0.968	-	-	-0.001	0.808	-	-
OWN	0.008	0.004 ***	-0.002	0.884	0.008	0.005 ***	-0.07	0.640
EAQI	-	-	-0.022	0.363	-	-	-0.02	0.297
EAQI* DUAL	-	-	0.052	0.021 **	-	-	0.040	0.079 **
EAQI* OWN	-	-	0.016	0.525	-	-	0.025	0.316
	Control variables				Control variables			
SIZE	-0.011	0.000 ***	-0.011	0.000 ***	-0.012	0.000 ***	-0.012	0.000 ***
LEVR	0.010	0.188	0.008	0.276	0.011	0.149	0.012	0.139
ROA	-0.001	0.013 **	-0.000	0.009 ***	-0.000	0.378	-0.000	0.293
MTB	0.004	0.001 ***	0.003	0.001 ***	0.003	0.022*	0.002	0.021 **
AGE FIRM	-0.000	0.013 **	-0.000	0.010 *	-0.000	0.000 ***	-0.000	0.000 ***
R-square	0.0809		0.0843		0.0895		0.0924	

Prob>F	0.0000	0.0000	0.0000	0.0000
Wald Chi2	211.01	211.45	273.29	256.34
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Statistical significance: ***, **, and * denote a significance at 1%, 5%, and 10% levels, respectively. The dependent variable is represented by discretionary accruals (DA). This variable is estimated via the model of Jones modified (1995) and the model of Raman and Shahrur (2008). The moderating variable is EAQI: external audit quality index; The explanatory variables are defined as follows: AGD: The logarithm of the CEO's age; DUAL: Dummy variable is equal to 1 if the CEO is also the chairman of the board and 0 otherwise; TURN: Dummy variable equal to 1 if the identity of the general manager changes and 0 otherwise; OWN: Dummy variable is equal to 1 if the CEO holds shares in the company and 0 otherwise; Firm's size: The Log of firm's total assets; Firm's leverage: The ratio of total liabilities to total assets; Firm's performance: The net income divided by total assets in year t; Market to Book: The total of the market capitalization and the total debt to the book value of the assets; Firm's age: The number of years of existence of the company since its creation.				

Source: *Own study.*

Additionally, auditors may be constrained in their investigations by time and resource limitations, which could reduce their ability to effectively identify managerial entrenchment behaviors. Finally, it's possible that some managers manage to circumvent external audit controls by concealing their actions or manipulating the information provided to auditors.

Regarding the control variables, there is a negative correlation between the firm's size and age with financial communication quality, while MTB positively influences financial communication quality. Ultimately, it can be concluded that models 6 and 8 yield results that contradict the empirical findings of model 3.

5. Discussion and Policy Recommendations

This study aims to investigate the moderating effect of external audit quality on the relationship between managerial entrenchment and financial communication quality among French-listed firms. The objectives of the research are twofold: firstly, to examine the impact of CEO entrenchment (duality and ownership) on financial communication quality, and secondly, to explore the moderating role of external audit quality on the link between managerial entrenchment (traits associated with increased earnings management) and financial communication quality.

Employing a cross-sectional model of accruals proposed by Dechow *et al.* (1995) and Raman and Shahrur (2008) to estimate discretionary accruals, we aimed to ensure the robustness of our findings. By employing three models to assess earnings management and comparing their outcomes, we aimed to identify the most influential model within the French context. Utilizing data from 151 French-listed firms over the period 2011-2020, our empirical results indicate that CEO

characteristics, including duality and ownership, facilitate managerial entrenchment, enabling manipulation of accounting income to enhance their financial position.

Consistent with our hypotheses, the study findings reveal a significant association between CEO age, duality, ownership, and earnings management (EM). Specifically, older CEOs exhibit a negative influence on financial communication quality, while CEO duality shows a positive correlation with earnings management, aligning with prior research by Al-Sraheen and Alkhatib (2016) and Triki Damak (2018).

Similarly, CEO ownership demonstrates a significant positive relationship with earnings management, echoing findings by Waweru et al. (2018). However, external audit quality does not moderate the relationship between duality and ownership with financial communication quality, suggesting limited effectiveness in mitigating entrenched leader practices in earnings management.

These findings hold practical implications for both academic researchers and practitioners interested in understanding entrenched leader behaviors related to earnings management. Additionally, policymakers and regulators can leverage insights from CEO entrenchment to design rules and regulations safeguarding minority shareholder interests. Socially, the study underscores the empirical evidence that older managers tend to engage in less earnings management, highlighting potential societal benefits. Furthermore, the implications of external audit quality are paramount for ensuring the transparency and reliability of financial reporting.

A high-quality external audit fosters investor and stakeholder confidence mitigates risks of errors or fraud in financial statements and serves as a crucial control mechanism for companies. Additionally, it promotes a culture of transparency, accountability, and compliance with accounting standards and regulations, deterring unethical behavior within organizations.

However, the study faces limitations. Firstly, the sample size is constrained due to data availability limitations from 2011 to 2020. Secondly, the study's findings may not be generalizable to other institutional contexts or countries. Lastly, the focus on CEO entrenchment measures such as age, duality, and ownership may overlook other factors influencing financial information quality.

Asking CEOs about their ownership rights was a key aspect of our study. However, we acknowledge a limitation in not quantifying the extent of CEO ownership rights, which could have provided deeper insights. This underscores the need for future studies to explore the impact of additional managerial entrenchment characteristics on earnings management (EM). Moreover, extending investigations to include all companies listed in the CAC ALL shares index across various sectors, including financial companies, could enhance the breadth and depth of research in this area.

Additionally, our research has raised several questions warranting further exploration, particularly in validating the effects of CEO entrenchment. Continued investigation into these areas is essential for advancing our understanding of corporate governance dynamics.

References:

- Al-Sraheen, D.A.D., Alkhatib, K. 2016. Proposing a model for limiting earning management practices: The case of Jordanian listed firms. *Corporate Board: role, duties and composition*, vol. 12, no. 3, 81-84.
- Adams, R.B., Almeida, H., Ferreira, D. 2005. Powerful CEOs and their impact on corporate performance. *The Review of Financial Studies*, vol. 18, no. 4, 1403-1432.
- Agrawal, A., Cooper, T. 2017. Corporate governance consequences of accounting scandals: Evidence from top management, CFO and auditor turnover. *Quarterly Journal of Finance*, vol. 7, no. 1, 1650014.
- Alexandre, H., Paquerot, M. 2000. Efficacité des structures de contrôle et enracinement des dirigeants. *Finance contrôle stratégie*, vol. 3, no. 2, 5-29.
- Allouche, J., Amann, B. 2002. L'actionnaire dirigeant de l'entreprise familiale. *Revue française de gestion*, no. 5, 109-130.
- Alqatamin, R.M., Aribi, Z.A., Arun, T. 2017. The effect of the CEO's characteristics on EM: Evidence from Jordan. *International Journal of Accounting & Information Management*, vol. 25, no. 3, 356-375.
- Alzoubi, E.S.S. 2018. Audit quality, debt financing, and earnings management: Evidence from Jordan. *Journal of International Accounting, Auditing and Taxation*, vol. 30, 69-84.
- Amara, I., Amar, A.B., Jarboui, A. 2013. Detection of fraud in financial statements: French companies as a case study. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, vol. 3, no. 3, 40-51.
- Ammari, A., Ayed, N.B., Ellouze, A. 2016. The interaction between Board Independence and CEO entrenchment on Tobin's Q. *International Journal of Business & Economic Strategy*, vol. 4, no. 1, 1-13.
- Antle, R., Nalebuff, B. 1991. Conservatism and auditor-client negotiations. *Journal of Accounting Research*, 29, 31-54.
- Andrews, K.R. 1971. *Vie concept of corporate strategy*. Revised Edition, RD Irwin.
- Arens, A., Best, P., Shailer, G., Fiedler, B., Elder, R., Beasley, M. 2010. *Auditing, Assurance services and ethics in Australia: An integrated approach*. Pearson Education Australia.
- Ball, R., Brown, P.R. 2014. A retrospective. *The Accounting Review*, vol. 89, no. 1, 1-26.
- Baker, T.A., Lopez, T.J., Reitenga, A.L., Ruch, G.W. 2019. The influence of CEO and CFO power on accruals and real earnings management. *Review of Quantitative Finance and Accounting*, vol. 52, 325-345.
- Belot, F., Serve, S. 2018. Earnings quality in private SMEs: do CEO demographics matter? *Journal of Small Business Management*, vol. 56, 323-344.
- Becker, C.L., DeFond, M.L., Jambalvo, J., Subramanyam, K.R. 1998. The effect of audit quality on earnings management. *Contemporary accounting research*, 15(1), 1-24.
- Bliss, M.A., Gul, F.A., Majid, A. 2011. Do political connections affect the role of independent audit committees and CEO duality? Some evidence from Malaysian audit pricing. *Journal of Contemporary Accounting & Economics*, 7(2), 82-98.

- Bouaziz, D., Salhi, B., Jarbouai, A. 2020. CEO characteristics and earnings management: empirical evidence from France. *Journal of Financial Reporting and Accounting*, vol. 18, no. 1, 77-110.
- Bouaziz, D., Jarbouia, A. 2024. Does the CEO's entrenchment affect financial communication quality? Empirical evidence from France. *Accounting and Management Information Systems* Vol. 23, No. 1, pp. 107-133.
DOI: <http://dx.doi.org/10.24818/jamis.2024.01005>.
- Boone, J.P., Khurana, I.K., Raman, K.K. 2008. Audit firm tenure and the equity risk premium. *Journal of Accounting, Auditing & Finance*, 23(1), 115-140.
- Boyd, B.K. 1995. CEO duality and firm performance: A contingency model. *Strategic management journal*, vol. 16, no. 4, 301-312.
- Chandra, A., Wimelda, L. 2018. Opportunistic behavior, external monitoring mechanisms, corporate governance, and earnings management. *Corporate Governance, and Earnings Management*. *Acc. Fin. Review*, vol. 3, no. 1, 44-52.
- Lanouar, C., Riahi, R., Omri, A. 2013. The determinants of earnings management in developing countries: A study in the Tunisian context, *The IUP Journal of Corporate Governance*, vol. 12, no. 1, 35-49.
- Charreaux, G. 1997. L'entreprise publique est-elle nécessairement moins efficace? *Revue française de gestion*, vol. 115, no. 1, 38-56.
- Chen, C.Y., Lin, C.J., Lin, Y.C. 2008. Audit partner tenure, audit firm tenure, and discretionary accruals: Does long auditor tenure impair earnings quality? *Contemporary accounting research*, 25(2), 415-445.
- Chen, H., Chen, J.Z., Lobo, G.J., Wang, Y. 2011. Effects of audit quality on earnings management and cost of equity capital: Evidence from China. *Contemporary Accounting Research*, 28(3), 892-925.
- Chee Haat, M.H., Rahman, R.A., Mahenthiran, S. 2008. Corporate governance, transparency and performance of Malaysian companies. *Managerial Accounting Journal*, Vol. 23, No. 8, pp. 744-778.
- Choi, J.S., Kwak, Y.M., Choe, C. 2014. Earnings Management Surrounding CEO Turnover: Evidence from Korea. *Abacus*, vol. 50, no. 1, 25-55.
- Chung, H., Kallapur, S. 2003. Client importance, non-audit services, and abnormal accruals. *The accounting review*, vol. 78, no. 4, 931-955.
- Clinch, G., Stokes, D., Zhu, T. 2012. Audit quality and- information asymmetry between traders. *Accounting & Finance*, 52(3), 743-765.
- Cormier, D., Magnan, M. 1995. La gestion stratégique des résultats. Le cas des firmes publiant des prévisions lors d'un premier appel public à l'épargne. *Comptabilité-Contrôle-Audit*, vol. 1, no. 1, 45-61.
- DeAngelo, L.E. 1981. Auditor size and audit quality. *Journal of accounting and economics*, 3(3), 183-199.
- Dechow, P.M., Sloan, R.G., Sweeney, A.P. 1995. Detecting earnings management. *Accounting review*, 193-225.
- Desai, R., Desai, V., Singhvi, M., Munsif, V. 2012. Audit Fees, Non-audit Fees, and Auditor Quality: An Analysis from the Indian Perspective. *Journal of Accounting, Ethics and Public Policy*, 13(2), 151-165.
- Dye, R.A. 1988. Earnings management in an overlapping generations model. *Journal of Accounting research*, 195-235.
- El Guindy, M.N., Basuony, M.A. 2018. Audit firm tenure and earnings management. *The Journal of Developing Areas*, vol. 52, no. 4, 167-181.

- Francis, J.R. 2004. What do we know about audit quality? *The British accounting review*, 36(4), 345-368.
- Francis, J.R. 2011. A framework for understanding and researching audit quality. *Auditing: A journal of practice & theory*, 30(2), 125-152.
- Francis, J.R., Wang, D. 2008. The joint effect of investor protection and Big 4 audits on earnings quality around the world. *Contemporary accounting research*, 25(1), 157-191.
- Francis, J.R., Michas, P.N., Seavey, S.E. 2013. Does audit market concentration harm the quality of audited earnings? Evidence from audit markets in 42 countries. *Contemporary Accounting Research*, 30(1), 325-355.
- Francis, R.J., Maydew, L.E., Sparks, H.C. 1999. The Role of Big 6 Auditors in Credible Reporting Accruals. *Auditing: A Journal of Practice & Theory*. Vol 18, No. 2, 17-34.
- Frankel, R.M., Johnson, M.F., Nelson, K.K. 2002. The relation between auditors' fees for non-audit services and earnings management. *The accounting review*, 77(s-1), 71-105.
- García-Sánchez, I.M., Hussain, N., Khan, S.A., Martínez-Ferrero, J. 2020. Managerial entrenchment, corporate social responsibility, and earnings management. *Corporate Social Responsibility and Environmental Management*, vol. 27, no. 4, 1818-1833.
- Godfrey, J., Mather, P., Ramsay, A. 2003. Earnings and impression management in financial reports: The case of CEO changes. *Abacus*, vol. 39, no. 1, 95-123.
- Gompers, P., Ishii, J., Metrick, A. 2003. Corporate governance and equity prices. *The quarterly journal of economics*, vol. 118, no. 1, 107-156.
- Haas, N., Speckbacher, G. 2017. Everything under my control: CEO characteristics and the evaluation of middle manager performance in small and medium-sized firms. *Schmalenbach Business Review*, vol. 18, 109-128.
- Habbash, M., Alghamdi, S. 2017. Audit quality and earnings management in less developed economies: the case of Saudi Arabia. *Journal of Management & Governance*, 21(2), 351-373.
- Hambrick, D.C., Fukutomi, G.D. 1991. The seasons of a CEO's tenure. *Academy of management review*, vol. 16, no. 4, 719-742.
- Healy, P.M. 1985. The effect of bonus schemes on accounting decisions. *Journal of accounting and economics*, vol. 7, no. 1-3, 85-107.
- Houque, M.N., Ahmed, K., van Zijl, T. 2017. Audit Quality, Earnings Management, and Cost of Equity Capital: Evidence from India. *International Journal of Auditing*, 21(2), 177-189.
- Hazarika, S., Karpoff, J.M., Nahata, R. 2012. Internal corporate governance, CEO turnover, and earnings management. *Journal of Financial Economics*, vol. 104, no. 1, 44-69.
- Jensen, M.C., Meckling, W.H. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, vol. 3, no. 4, 305-360.
- Kalyta, P. 2009. Accounting discretion, horizon problem, and CEO retirement benefits. *The Accounting Review*, vol. 84, no. 5, 1553-1573.
- Kilgore, A., Harrison, G., Radich, R. 2014. Audit quality: what's important to users of audit services. *Managerial Auditing Journal*, 29(9), 776-799.
- Kim, J.B., Song, B.Y. 2011. Auditor quality and loan syndicate structure. *Auditing: A Journal of Practice & Theory*, 30(4), 71-99.
- Krause, R., Semadeni, M., Cannella Jr, A.A. 2014. CEO duality: A review and research agenda. *Journal of Management*, vol. 40, no. 1, 256-286.
- Krishnan, G.V., Parsons, L.M. 2008. Getting to the bottom line: An exploration of gender and earnings quality. *Journal of business ethics*, vol. 78, 65-76.

- Kontes, P. 2010. The CEO, strategy, and shareholder value: Making choices that maximize company performance. John Wiley & Sons.
- Korkeamäki, T., Liljeblom, E., Pasternack, D. 2017. CEO power and matching leverage preferences. *Journal of Corporate Finance*, vol. 45, 19-30.
- Kothari, S.P., Leone, A.J., Wasley, C.E. 2005. Performance matched discretionary accrual measures. *Journal of accounting and economics*, vol. 39, no. 1, 163-197.
- Lajmi, A., Gana, M. 2011. Structure de Propriété et Qualité de l'Audit Externe: Cas des Entreprises Belges Cotées. 32ème Congrès de l'AFC, Montpellier.
- Lanouar, C., Riahi, R., Omri, A. 2013. The determinants of earnings management in developing countries: A study in the Tunisian context. *The IUP Journal of Corporate Governance*, vol. 12, no. 1, 35-49.
- Lee, G., Arthurs, J.D., Lee, E.K., Cho, S. 2020. Celebrity CEO and Earnings Management: Interplay between CEO-CFO Similarity and External Monitoring. In: *Academy of Management Proceedings* (Vol. 2020, no. 1, 13229). Briarcliff Manor, NY 10510, Academy of Management.
- Lin, Y.C., Wang, Y.C., Chiou, J.R., Huang, H.W. 2014. CEO characteristics and internal control quality. *Corporate Governance: An International Review*, vol. 22, no. 1, 24-42.
- Lin, J.W., Hwang, M.I. 2010. Audit quality, corporate governance, and earnings management: A meta-analysis. *International Journal of Auditing*, 14(1), 57-77.
- Lo, K. 2008. Earnings management and earnings quality. *Journal of accounting and economics*, vol. 45, no. 2-3, 350-357.
- Lopes, A.P. 2018. Audit quality and earnings management. In: *Audit quality and earnings management: Lopes, Ana Paula*.
- Malmendier, U., Tate, G. 2005. Does overconfidence affect corporate investment? CEO overconfidence measures revisited. *European financial management*, vol. 11, no. 5, 649-659.
- Manita, R., Elommal, N. 2010. The Quality of Audit Process: An Empirical Study with Audit Committees. *International Journal of Business*, 15(1).
- Martinez, A.L., Moraes, A.D.J. 2017. Relationship between auditors' fees and earnings management. *Revista de Administração de Empresas*, vol. 57, 148-157.
- Masulis, R.W., Wang, C., Xie, F. 2007. Corporate governance and acquirer returns. *The Journal of Finance*, vol. 62, no. 4, 1851-1889.
- Mard, Y., Marsat, S. 2009. La gestion du résultat comptable autour d'un changement de dirigeant en France. *Comptabilité-Contrôle-Audit*, vol. 15, no. 3, 141-169.
- Morck, R., Shleifer, A., Vishny, R.W. 1988. Management ownership and market valuation: An empirical analysis. *Journal of financial economics*, vol. 20, 293-315.
- Momparler, A., Carmona, P., Climent, F. 2011. Happiness at work. Maximizing your psychological capital for success. *Management Decision*, 49(6), 1028-1032.
- Muda, I., Maulana, W., Sakti Siregar, H., Indra, N. 2018. The analysis of effects of good corporate governance on earnings management in Indonesia with panel data approach. *Iranian Economic Review*, vol. 22, no. 2, 599-625.
- Murphy, K.J., Zimmerman, J.L. 1993. Financial performance surrounding CEO turnover. *Journal of Accounting and Economics*, vol. 16, no. 1-3, 273-315.
- Muttakin, M.B., Khan, A., Mihret, D.G. 2017. Business group affiliation, earnings management and audit quality: evidence from Bangladesh. *Managerial Auditing Journal*, vol. 32, no. 4/5, 427-444.
- Ojala, H., Niskanen, M., Collis, J., Pajunen, K. 2014. Audit quality and decision-making in small companies. *Managerial Auditing Journal*, 29(9), 800-817.

- Paquerot, M. 1996. Stratégies d'enracinement des dirigeants et prises de contrôle d'entreprises. Thèse de doctorat, Dijon.
- Paquerot, M. 1997. Stratégies d'enracinement des dirigeants, performance de la firme et structure de contrôle, in le gouvernement des entreprises. Economica.
- Persakis, A., Iatridis, G.E. 2016. Audit quality, investor protection and earnings management during the financial crisis of 2008: An international perspective. *Journal of International Financial Markets, Institutions and Money*, 41, 73-101.
- Pichard-Stamford, J.P. 1997. La contribution du réseau des administrateurs à la légitimation du dirigeant auprès de multiples catégories d'actionnaires. Thèse de doctorat. Bordeaux.
- Pigé, B. 1998. Enracinement des dirigeants et richesse des actionnaires. *Finance Contrôle Stratégie*.
- Pourciau, S. 1993. Earnings management and non-routine executive changes. *Journal of accounting and economics*, vol. 16, no. 1-3, 317-336.
- Qawasmeh, S., Azzam, M. 2020. CEO characteristics and earnings management. *Accounting*, vol. 6, no. 7, 1403-1410.
- Raman, K., Shahrur, H. 2008. Relationship-specific investments and earnings management: Evidence on corporate suppliers and customers. *The Accounting Review*, vol. 83, no. 4, 1041-1081.
- Rahman, C.Z.U. 2022. Influence of CEOs characteristics on the earning management via moderating role of audit committee independence in perspective of Pakistan. *Webology* (ISSN: 1735-188X), vol. 19, no. 4.
- Reichelt, K.J., Wang, D. 2010. National and office-specific measures of auditor industry expertise and effects on audit quality. *Journal of Accounting Research*, 48(3), 647-686.
- Riguen, R., Kachouri, M., Jarboui, A. 2018. Book-Tax Differences, Corporate Governance Effectiveness and Audit Quality: An Interactive Effects. *Journal of Corporate Accounting & Finance*, 29(4), 20-36.
- Salah, O.B., Jarboui, A. 2022. Does dividend policy affect earnings management? Evidence from France. *Journal of Modern Accounting and Auditing*, vol. 18, no. 1, 33-43.
- Salah, O.B., Jarboui, A. 2023. Impact of dividend policy on earnings management and the moderating effect of the board of directors and the audit committees: The French case. *Journal of Accounting and Management Information Systems*, vol. 22, no. 3, 408-427.
- Salehi, M., Moradi, M., Paiydarmanesh, N. 2017. The effect of corporate governance and audit quality on disclosure quality: Evidence from Tehran stock exchange. *Periodica Polytechnica Social and Management Sciences*, vol. 25, no. 1, 32-48.
- Schipper, K. 1989. Earnings management. *Accounting horizons*, vol. 3, no. 4, 91.
- Serfling, M.A. 2014. CEO age and the riskiness of corporate policies. *Journal of corporate finance*, vol. 25, 251-273.
- Shama, H., Sharma, D.K., Hota, H.S. 2016. A hybrid neuro-fuzzy model for foreign exchange rate prediction. *Academy of Accounting and Financial Studies Journal*, vol. 20, no. 3.
- Shleifer, A., Vishny, R.W. 1989. Management entrenchment: The case of manager-specific investments. *Journal of financial economics*, vol. 25, no. 1, 123-139.
- Siala, S.B., Jarboui, A. 2019. The moderating effect of audit quality on the relation between shareholder activism and earnings management: Evidence from France. *Contemporary economics*, 13(1).

-
- Soliman, M., Abiodun, T., Hamouda, T., Zhou, J., Lung, C.H. 2013. Smart home: Integrating internet of things with web services and cloud computing. In: 2013 IEEE 5th international conference on cloud computing technology and science, 317-320.
- Strong, J.S., Meyer, J.R. 1987. Asset write downs: Managerial incentives and security returns. *The Journal of Finance*, vol. 42, no. 3, 643-661.
- Triki Damak, S. 2018. Gender diverse board and earnings management: evidence from French listed companies. *Sustainability Accounting, Management and Policy Journal*, vol. 9, no. 3, 289-312.
- Wang, G., DeGhetto, K., Ellen, B.P., Lamont, B.T. 2019. Board antecedents of CEO duality and the moderating role of country-level managerial discretion: a meta-analytic investigation. *Journal of Management Studies*, vol. 56, no. 1, 172-202.
- Wahab, E.A.A., Zain, M.M., James, K. 2011. Political connections, corporate governance and audit fees in Malaysia. *Managerial Auditing Journal*, 26(5), 393-418
- Waweru, N.M., Prot, N.P. 2018. Corporate governance compliance and accrual earnings management in eastern Africa: Evidence from Kenya and Tanzania. *Managerial Auditing Journal*, vol. 33, no. 2, 171-191.
- Wells, P. 2002. Earnings management surrounding CEO changes. *Accounting & Finance*, vol. 42, no. 2, 169-193.
- Yahaya, O.A. 2022. Do CEOs influence earnings management. *African Journal of Accounting Research*, vol. 36, no. 2, 1-13.
- Yasar, A. 2013. Big four auditors' audit quality and earnings management: Evidence from Turkish stock market. *International journal of business and social science*, vol. 4, no. 17.
- Zgarni, I., Halioui, K., Zehri, F. 2014. Do the Characteristics of Board of Directors Constrain Real Earnings Management in Emerging Markets? Evidence from the Tunisian Context. *IUP Journal of Accounting Research & Audit Practices*, vol. 13, no. 1.
- Zgarni, I., Hlioui, K., Zehri, F. 2016. Effective audit committee, audit quality and earnings management: Evidence from Tunisia. *Journal of Accounting in Emerging Economies*, 6(2), 138-155.