

ANWAR BOUMOSLEH
Lebanese American University, Lebanon

INCOMING CEOS AND THEIR HIDDEN PLANS

Abstract:

Mandates that determine the level of power of the incoming CEO have a long term effect on strategic corporate decisions. This paper argues that powerful incoming CEOs are more likely to manipulate earnings and carry excess cash in the first three years of their tenure. The paper uses a novel measure of CEO power that perfectly fits newly hired CEOs. The paper finds a positive relation between the level of power of incoming CEOs and discretionary accruals. Additionally, the paper finds that level of Power of incoming CEOs is also positively related to accumulation of cash in the firm. Further tests indicate that these observations reflects entrenchment activities by the new CEO.

Keywords:

Powerful CEOs, Entrenchment, Discretionary Accruals, Excess Cash

JEL Classification: G30, G32, G39