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UNDERSTANDING PROFIT WARNINGS: GOVERNANCE RELATED DETERMINANTS AND CONSEQUENCES

Abstract:

The purpose of this paper is to examine the relationship between the corporate governance characteristics and the decision to issue a profit warning if the company is overvalued. In this area, a relatively very limited number of studies have examined this issue. To provide valid and powerful arguments, besides to corporate governance and firm characteristics variables, we incorporate the ESG score to capture the increasing of the growing importance given the corporate social responsibility in the firm's decision process. Our sample includes French companies listed on the Euronext Paris between 2006 and 2020.

Our results show a causal relation between some board structure variables and the decision to issue profit warning. On the other hand, as expected, our findings indicate that the firms' engagement to CSR impact positively the profit warning of their poor financial performance.

Keywords:

Profit warnings; Corporate governance; Corporate social responsibility; Gender diversity; Corporate sustainability practices.

JEL Classification: G39, G30