

## Managerial tenure and earnings management

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### Purpose

– The purpose of this paper is to understand the impact of tenure on earnings management.

### Design/methodology/approach

– Analytical model; multivariate regression analysis.

### Findings

– The paper predicts that managers are conservative in managing earnings when they first start to take top managerial positions, and then become aggressive in the next few years. Once they reach the maximum level of earnings management, they will become conservative again and report earnings less aggressively. This inverted U-shaped relationship between tenure and earnings management is confirmed by the data from the Chinese stock market.

### Research limitations/implications

– It is based on China stock market data. Generalization of the research results to other countries is limited.

### Practical implications

– With the knowledge of when earnings management is more likely to occur, regulators can set up policies targeting firms and managers with certain characteristics, instead of requiring observances from all firms and managers. This limited scope can greatly reduce the costs of preventing and identifying earnings management, while effectively maintaining the quality of earnings in the meantime.

### Social implications

– This paper examines the earnings management behavior related to CEO tenure. It is hoped that the research results can improve the overall understanding of earnings management, then social wealth spent on preventing and identifying it could be reduced.

– It is an original work.

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Keywords: [Earnings management](#), [Managerial tenure](#)

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