Executive Profiling and Firm Resolutions

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Legislative pressures continue to scrutinize auditors for failing to warn investors of subsequent company failures in their audit report (US. House of Representative 1985, 1990, 2002). Multiple literatures have highlighted auditor's reporting failures (Weil 2001; Dietz 2002; NASDAQ 2002) to provide a warning to investors. Using a sample of 1,053 firms receiving a Going Concern Modified Opinion (GCM) during the period from 2003 through 2005 fiscal year end, we analyze whether executive turnover and gender are associated with subsequent GCM opinions. The paper extends work done by Mutchler (1986), Chen and Church (1992), Geiger and Raghunandan (2001), Geiger, Raghunandan, and Rama (2005), and Behn, Kaplan, and Krumwiede (2001) by modeling and testing the association between the client subsequent performance and mitigating factors. After controlling for financial condition, size, and leverage, the results of the study indicate that client's future resolution subsequently after receiving GCM is strongly linked to having a new Chief Executive Officer (NEW_CEO). We posit that having a NEW_CEO is highly associated with subsequent client failure. Auditor's issuing GCM may need to consider a CEO turnover event as predictable event for client subsequent failure. Furthermore, we find no association between client's subsequent performance after receiving GCM opinion when the executive is a female (FEM_CEO or FEM_CFO)or a new chief financial officer (NEW_CFO).

INTRODUCTION

Over the years, many legislative hearings have focused on auditors' failure to provide adequate early warning of company failures in the form of a GCM audit report (U.S. House of Representatives 1985, 1990, 2002). The media and regulators have also noted many instances of large publicly traded companies failing shortly after receiving an unmodified opinion "clean opinions" from their auditors (Weil 2001; Dietz 2002; NASDAQ 2002). Specifically, auditing standards No. 59, demands that auditor's assess, in every audit, the likelihood of the client's ability to continue as a going-concern in the future (generally, not to exceed a period of 12 months from the fiscal year end). As part of such evaluation, auditors must examine the "contrary factors" (that is, those negative financial trends indicating company's failure to continue as a going-concern) and "mitigating factors" (that is, factors that reduce the uncertainties related to going-concern). Thus, the standards require auditors to consider management plans to mitigate the effects of these adverse circumstances.

The auditor seeks, and client management presents, a remedial action plan to improve the fortunes of the entity being audited. Evaluation of such plans is necessarily judgmental. Based on source credibility theory, we posit that familiarity with the individual(s) presenting a mitigating plan influences auditors' judgments. That is, when faced with the same set of plans to mitigate the going-concern uncertainty, it is likely that the auditor would be likely to give greater credence depending on executive tenure in the company. In matters of judgment, since auditors are generally taught to be conservative, it is likely that a new executive would be viewed as less credible. Hence, an auditor would be less likely to believe in mitigating factors if they are presented by a new executive and more likely to believe in those mitigating factors when presented by a high tenure executive. This makes it more likely that a GCM audit opinion would be issued, ceteris paribus, when the executive is new. Conversely, in many firms a new Chief Executive Officer (CEO) is hired when the client is in trouble. On the other hand, we posit that a CEO is the highest position in the company and when the company receives a new CEO, it is likely that a new CEO will have a different strategic plan to turn around the company's fortunes. Hence, it is possible that a GCM audit opinion is less likely in the presence of a new CEO.

There is extensive research in psychology and in a variety of business contexts that will be reviewed in the following section explaining how gender can play significant differences on corporate decisions. A natural corollary from such research is that executives' gender can also affect auditors' GCM audit opinions (Gold et al. 2009). The first part of this paper examines whether clients' characteristics play a significant propensity for auditors to issue GCM.

Prior research also notes that when issuing a going-concern modified opinion, auditors are faced with two potential audit risks—failing to issue a GCM (a "type II" error) for companies that subsequently fail or issuing a GCM for firms that do not subsequently fail (a "type I" error) (Geiger and Rama 2006). This paper focuses on type I error which has costly consequences to auditors. Auditor issuing GCM opinion without subsequent failures may be faced with punitive and reputation damage by the client. Furthermore, auditors' failure to issue a GCM to subsequent bankrupted companies is questioned by regulators and is likely to face legal charges. If indeed auditors' thresholds for issuing GCM audit reports are influenced by executives' characteristics (such as, tenure and gender) then auditors "reporting errors" in the context of GCM audit reports should also be associated with such characteristics of client executives.

During this last decade, we have witnessed many women CEOs climbing the corporate ladder. Prominent examples like Patricia Russo of Lucent Technologies, Carly Fiorina of Hewlett Packard, Andrea Jung of Avon Products, and Meg Whitman of eBay. Even though there is a climbing percentage of female CEOs, women executive still constitute only 13% of the corporate offices positions in Fortune 500 firms (Catalyst, 2000). There is still evidence that discrimination against women are still in place to safeguard promotional allocation and future decisions from those who are demographically different from the majority (Powell and Butterfield 2002; Zajac & Westphal, 1996; Byrne &Neuman, 1992; Morrison & Von Glinow, 1990; O'Reilly, Caldwell & Barnett, 1989 Byrne, 1971).

The literature on gender difference has made a tremendous impact on the corporate setting. Earlier studies have found a significant support for the proposition that women, on average, are more risk averse than men in a variety of decision contexts (Agnew, Balduzzi and Sunden 2003; Bernasek and Shwiff 2001; Sunden and Surette 1998). Roszkowski, Davey and Grable 2005 analyzed how accurately financial advisors assess their male and female client's risk tolerance. They documented that financial advisors generally overestimate risk tolerance of men and underestimate the risk tolerance of women. Female CFOs are less likely to issue debt, less likely to make significant changes to capital structure in general and reduce leverage more than male CFOs. Female CFOs tend to experience higher announcement returns for their acquisitions when compared to male CFOs acquisitions. Such favorable announcement confirms that female CFOs can better maximize shareholders value than male CFOs. Additional studies examined diversity among top executives in general, namely CFO's and others (Presidents, Chairpersons of the Board). For Example, Justin Wolfers 2006 found no significant differences in returns of holding stock in female-headed firms when compared to male-headed firms for S&P 1500 firms over the period 1992-2004. Others have found significant gender impact on firm performance, highlighting the pay gap, which represents lower skill set for females vs. male executives (Bertrand and Hallock's 2001). In addition, Welbourne (1999) and Catalyst (2000) suggested that the wage discrepancy is mainly related to expertise gap in men vs. female. Nevertheless, Mohan and Chen's 2004 paper found no significant different between IPO pricing and CEO gender. Some literature evidenced negative shareholder reactions to female CEO appointments when compared to male CEOs. Moreover, women are more positively viewed if they have been promoted from within a firm. Overall, the literature states that executive gender has a significant impact on firm's future performance.

In this study, we examine differences in behavior by gender in the auditing setting: since gender plays a key factor in corporate financial decisions, we question whether an auditor take into account such differences in corporate decisions when assessing the credibility of the client based on gender behavior. Despite the increased number of female executives climbing the corporate ladder, limited research has examined gender in the auditing context. The logic behind auditor's bias can be explained using Kanter's (1977) seminal example to explain proportional rarity, if one sees nine X's and one O, X X x x X X O X x X; the O stands out and receives more attention than any X, regardless of how much diversity might exist within the X population. According to Gestalt psychology, those who are perceived as common are more easily defined as the "ground," while those who are perceived as unique represent the "figure." In this context, the majority of executives have historically been men. The announcement of a male CEO is less likely to receive much attention when compared to a female CEO. In contrast, when a woman is named to the CEO position, she stands out from the crowd and thereby becomes the figure capturing a larger responsiveness base. Under these circumstances, a male role that is commonly been filled by a man, will be heavily evaluated when filled by a female executive (Eagly et al. 1992; Eagly et al. 1995). In summary, since women are not representative of top executive positions, they will be more likely to be viewed as less qualified when compared to their male counterparts (Shenhav 1992). Consequently, a female CEO will signal more uncertainly when appointed to a male position (Kanter, 1977; Zajac & Westphal, 1996). In the auditing context, the literature had evidenced that female executives are less persuasive or less convincing when viewed by auditors auditing female clients (Gold et al. 2009). Our study extends previous literature, by investigating auditor biases when dealing with female executives. As a result, we expect auditors to perceive the appointment of a female executive (CEO or CFO) less favorably than a male appointment and therefore, perceive a female executive as less credible and be more likely to issue a GCM opinion.

In summary, the possible loss of reputation, coupled with the risk-aversion, reduced overconfidence, and greater likelihood of compliance, suggests that executive's gender can be a factor to consider for auditors decision-making process; especially in a business world that has been dominated by male CEOs, the appointment of a female executive will send additional signals of uncertainty.

Conventional wisdom asserts the importance of the CEO as the most significant chain of command in any US corporations. The market carefully monitor's CEO actions to preempt any changes affecting corporate performance. Much of the research have examined CEO turnover as a predictor of firms' earnings (e.g., Coughlan and Schmidt 1985; Warner et al., 1988; Hermalin and Weisbach, 1998; Weisback, 1988; Parrino, 1997; Murphy and Zimmerman, 1993). Studies illustrated the importance of accounting measures as a mechanism that the Boards of directors use for CEO-retention decisions rather than market-based measures (Engel et al. 2003). CEO prior to dismissals was evidenced to make opportunistic behavior. It is stated that weak managed firms often window dress their operation to boost earnings by reducing discretionary items (Murphy and Zimmerman, 1993). While, newly hired CEOs are more likely to depress earnings at least for the first period of their tenure to blame former executive for bad performance (big-bath theory). A vast amount of research examined CEO turnover event and its relationship with firms' earnings (e.g., Coughlan and Schmidt, 1985; Warner et al., 1988; Hermalin and Weisbach, 1998; Weisback, 1988; Murphy and Zimmerman, 1993). Some researchers have examined the correlation of financial indicators and CEO turnover and found mixed results. Murphy and Zimmerman 1993 supported the association between changes in financial indicators (R&D, advertising, capital expenditures, and accounting accruals) and CEO turnover. Murphy and Zimmerman used Such CEO's discretionary choices but document that such a relationship may exist because of bad performance rather than CEO altering variables to create the illusion of improved performance to improve his retirement or bonus at the end of his service. However, Murphy and Zimmerman admit that the result of their study is limited because their sample was strictly based Fortune 500 high performance companies. Furthermore, Engel et al. (2003) used ''the signal-to-noise ratio of performance measures'' to evidence a positive association between CEO terminations and declining firm's returns. Farrell and Whidbee (2003) examine the relationship between CEO turnovers and analysts' forecasts. They suggest that the CEO is often judged on how he or she meets such earnings forecasts. Therefore, when this expectation is not met, the likelihood of dismissal is increased. Their research indicates the BOD will often focus on the devotion of the expected performance rather that performance alone when making CEO dismissal decisions after controlling for the degree of uncertainty associated the analysts forecast.

In this context, we are examining CEO or CFO turnover and question whether auditors use such turnover event to predict firm performance and therefore influencing their likelihood to issue a GCM opinion. Auditors may use the CEO or CFO turnover event positively or negatively depending on whether they perceive such an event as uncertainty or a solution to troubling clients. In this paper, we question whether propensity to issue a GCM is related to executive tenure. The literature will continue to grow infinitely, especially because of recent company scandals that pressure regulators to question all signals to predict corporate failures.

Motivation for this study comes from Statement on Auditing Standards No. 59 requiring auditors to evaluate whether substantial doubt exists on an audit client's ability to continue as a going concern (AICPA, 1988). Auditors' responsibility is to look for existing conditions and events that indicate substantial doubt on the client's ability to continue as a going concern. The auditor is asked to look for negative trends, other indications of possible financial difficulties, internal matters, and external matters like management's characteristics and plans when assessing client's financial status and modifying audit report for uncertainties that may affect the company's ability to continue as a going concern (AICPA, 1988). We know of the penalties of failure to issue a warning against impending bankruptcy or failure can result in subsequent costly litigation faced by auditors (Carcello and Palmrose, 1994; Palmrose, 1997; Francis and Krishnan, 1999), nevertheless, there are also audit reporting failures when auditor's issue unwarranted GCM. Due to various pressures on the auditor today, auditors are more likely to issue a GCM in the post SOX, so we restrict our studied sample from the years 2003 through 2005. We examine subsequent performance outcomes after receiving a GCM opinion with its likelihood association with client's characteristics.

Additionally, researchers have found that often management's plans include valuable information that demonstrates the entity's ability to overcome the adverse circumstances (Ellingsen et al. 1989). Auditors will take client's characteristics to determine whether a company has a strategy to deal with those financial challenges. Ellingsen et al. (1989) point out that once auditor has substantial doubt about a firm after considering the financial indicators, the auditor will glance at management's plans. SAS No. 59 specifically state that auditors "obtain information about the plans and consider whether it is likely the adverse effects will be mitigated for a reasonable period of time" (AICPA 1988, Para. 07). In situations that auditors are assured that management plan adverse the effect of a going concern, according to Ellingsen, no audit report modification would be required. Furthermore, Bell (1991) emphasized the importance of considering management plans as mitigating factors to explain auditors' opinion. Behn et al. (2001) found a strong association of certain management plans and auditors' going-concern reporting decisions. In this study, we examine a GCM sample and examine management characteristics like gender and tenure and its impact on client's subsequent failures.

Based on prior research, subsequent bankruptcy is positively associated with firm's financial stress and default on debt (Chen and Church 1992; Carcello et al. 1995; Multchler et al. 1997). Interestingly, it has been found that firm size play role on companies filling bankruptcy. Researchers have shown that larger firms are more likely to file bankruptcy after receiving a GCM opinion than smaller firms. Our research shed light on auditors responsibility to review management plans, we question whether auditor's type I error (issuing a GCM with no subsequent failure) is associated with executive turnover and gender and whether client's subsequent failures can be concluded using the information of the executive change and executive gender.

Since auditor's modified opinion is subject to many factors, we test executive characteristics more specifically using executive turnover and executive gender influence on client's subsequent performance after receiving a GCM.

In order to test such models, we develop our hypothesis as follows:

H_1: The Subsequent failures rate after receiving GCM is significantly different for firms that experience a CEO or a CFO turnover during the year of the audit.
H_2: The Subsequent failures rate after receiving GCM is significantly different for firms that are led by a female CEO or a CFO during the year of the audit.

METHOD

We examine a sample of 1,053 manufacturing companies that received GCM opinion and examine the association between client characteristics and client subsequent performance. We obtained auditors' opinion and audit report information from Audit Analytics database for the period from 2003 through 2005. We expand our research for 3 years period to make sure our data is not driven by one-year result. We obtain financial and default data from SEC annual reports, 10K filings through EDGAR database. Subsequent data are obtained from New Generation Research Inc., publishers of the yearly bankruptcy Almanac (Bankruptcydata.com). Following Geiger et al. 2006, we control for industry driven results and therefore, limit our analysis to manufacturing firms (SIC codes 20-39). Based on these data requirements, our sample consisted of 1,053 manufacturing companies with going-concern modified (GCM) opinion rendered for the years 2003 through 2005. Our hypothesis examines companies receiving GCMs to assess whether subsequent viability varies by executive gender and executive turnover. Accordingly, we analyze the resolution subsequently after receiving a GCM opinion. The control factors used in the multivariate logistic regression are based on prior research (Multchler 1985, 1997; Mckeown et al. 1991; Chen and Church 1992; Nogler 1995; Raghunandan and Rama 1995; Carcello et al. 1995; Geiger and Raghunandan 2002, Geiger, Raghunandan, and Rama 2005; Geiger and Rama 2006). We control for financial ratios (PROB), company size (LNSALES), auditor size (BIG), and default status (DEFAULT). In addition, we also include (NEW_CEO or NEW_CFO) variables for manufacturing companies that experienced a CEO or CFO turnover preceding the audit GCM opinion. Furthermore, we also include (FEM_CEO or FEM_CFO) for manufacturing clients that were led by a female CEO or female CFO during the audit period the company received a GCM. We measure client size (LNSALES) using log of sales (in thousands of dollars), as suggested by Bell (1991), the larger the company, the less likely it to receive the going concern. Nogler 1995 evidenced that larger firms are more likely to fail after receiving GCM when compared to smaller size firms. Nogler 1995 stated that larger companies are less likely to recover after they have been given a GCM and therefore, they are more likely to receive an unmodified opinion from their auditor. Further, McKeown et al. (1991) stated that larger firms are less likely to receive GCM. McKeown et al. (1991) also stated that larger firms with GCM opinion are more likely to fail. We assigned NEW_CEO or NEW_CFO change for turnover that preceded auditor GCM opinion during the years of the audit report (2003-2005). We test our hypothesis using the model below.

$$\text{SubBKPTCY1} = \beta_0 + \beta_1\text{* PROB} + \beta_2\text{* LNSALES} + \beta_3\text{* BIG} + \beta_4\text{*NEW\_CFO} + \beta_5\text{* FEM\_CFO} + B_6\text{* FEM\_CEO} + B_7\text{ * NEW\_CEO} + B_8\text{*DEFAULT} + \varepsilon$$

Where:

SubBKPTCY1	=1 if company subsequently filed bankruptcy one year or less, and 0 otherwise;
PROB	=financial stress score, calculated from Zmijewski's (1984) model;
LNSALES	=Natural Log of Sales (in millions of dollars);
BIG	=1 for Big 4 auditor, 0 otherwise;
DEFAULT	=1 if a company is in either payment default or technical default of loan covenants, 0 otherwise;
NEW_CEO	=1 for CEO change; 0 otherwise;
NEW_CFO	=1 for CFO change, 0 otherwise;
FEM_CEO	=1 for female CEO, 0 otherwise;
FEM_CFO	=1 for female CFO, 0 otherwise;

SAMPLE AND DATA

The list of U.S. public company receiving a going-concern opinion was obtained from Audit Analytics for the year 2003-2005. Relevant financial statements data were obtained from Compustat database. Consistent with prior research, we deleted companies in the financial, real estate, and utility sectors because such companies have unique financial characteristics (Geiger and Raghunandan 2002). We reached our sample size of 1,053 sampled firms with all financial data found after eliminating foreign firms (Mckeown et al. 1991: Mutchler et al. 1997, Geiger and Raghunandan 2002).

RESULTS

Descriptive Statistics

Table 1 provides descriptive data and comparisons of the bankrupted vs. non bankrupted firms across the different control variables for a sample of 1,053 companies that received a GCM opinion. The GCM sample contained 4.05% clients that subsequently filed for bankruptcy while 95.95% of the sample was auditors committing Type I error (issuing GCM opinion without subsequent failure).

Clients filing bankruptcy subsequently after receiving a GCM opinion were on the average significantly different in terms of level of financial stress (PROB), auditor's size (BIG). company size (LNSALES), proportion of companies in default (DEFAULT), proportion of companies and having a new CEO (NEW_CEO).

Table 2 presents the descriptive statistics for clients comparing clients with a new CEO vs. companies with no CEO turnover. Clients with a new CEO account for about 29.19% of the sample while 70.9% of the companies receiving GCM have no change in the CEO. One way ANOVAs indicate that the average level of financial stress (PROB), default on debt (DEFAULT), and filing subsequent bankruptcy after one year (SubBKPTCY1) is more likely to occur for clients with a NEW_CEO during the audit period. Evidently, we find no significant effect on FEM_CEO and FEM_CFO. The result may be highly driven by the limited number of female executives for clients that subsequently fail after receiving a GCM opinion. Overall, there are 9.1% female executives of the total GCM sample. Specifically, there is 0.4% female CFO on subsequent failing clients, while there were 0.1% female CEOs. Overall, our total sample of 1,053 GCM clients contained 8.5% female CFOs and 2.6% female CEOs. Executive Gender will remain to be a factor of consideration as more female executives climb the corporate ladder, the more such research in executive gender will be in demand.

Additional Analyses

To ensure our results are robust, we extend our definition of bankruptcy failures to either bankruptcy after 2 or 3 years and examine our control variables accordingly, however, the result of executive turnover or gender did not hold. Table 1 confirms that client's failures is more likely for firms that are larger in size (LNSALES), and are lower in default status (DEFAULT) and more likely to be more financially stressed (PROB) with $p<0.05$. Clients with a NEW_CEO tend to be more likely to file bankruptcy during the first year following auditor's GCM opinion. Subsequent failures are consistently not driven by auditor size and gender remains to be insignificantly associated with subsequent client's bankruptcy.

Since management plans play an important variable in our model, as robustness checks, we examine subsequent failures after 3 years from receiving a GCM opinion. The results remain significant for the NEW_CEO for the first year following the GCM opinion. Additionally, an interesting result that requires further investigation, we have found that a company that filed bankruptcy after the fourth year of receiving the GCM, a NEW_CFO on board is significantly associated with subsequent bankruptcy.

To explore the aforementioned results further, we expand our definition of client's failures to include bankruptcy filing or delisted from the stock exchange. Delisting occurs when a company is stops trading (NYSE, AMEX, or NASDAQ) because of liquidation or bankruptcy reasons. Delisted codes from CRSP database (400,450, 460,470,480,490,552,560, 561, 572, 574, and 580-585). We ran our models accordingly and analyze our results for Bad outcome (either filed bankruptcy or delisted from the stock market) but no significant association was found for either executive tenure or gender.

SUMMARY AND CONCLUSION

This empirical study examines the outcomes of clients that received going concern opinion and its association with subsequent client performance and executive characteristics. This study assess the impact of client characteristics of auditor's type I error (going concern with no subsequent failure). We examine the influence of a new executive either a CEO or a CFO on client's receiving a modified going concern opinion (GCM) and investigate the association on company subsequent performance. We ask, whether having a new executive influences client future performance. Furthermore, we ask, whether having a female executive can be associated with client subsequent failures. Gold et al. 2008 documented that auditors are less likely to be convince by a female executives vs. a male executive. We study a sample of 1,053 manufacturing companies receiving a going concern opinion and test the association between client's characteristics and audit judgment. The result indicates that manufacturing companies with NEW_CEO during the audit year is more likely to file for bankruptcy the following year. We find no significant relationship between executive gender (FEM_CEO and FEM_CFO) and client's subsequent failures after receiving a GCM.

Prior research notes that when issuing a going-concern modified opinion auditors are faced with two potential audit risks—failing to issue a GCM (a "type II" error) for companies that subsequently fail or issuing a GCM for firms that do not subsequently fail (a "type I" error) (Geiger and Rama 2006). Both types of errors have costly consequences to auditors, by exploring the factors that are associated with client's failure; the more auditors can minimize audit reporting error (Kida 1980; Carcello and Neal 2003). With type I error, auditors opinion is viewed as unwarranted specifically since clients continue doing business as usual. Because the auditor misclassified the client and issued GCM, the client is more likely to be displeased with the auditor's unwarranted performance and is more willing to switch auditor as an outcome (Geiger et al. 1998; Carcello and Neal 2003). Most auditors do not want to lose their future quasi rents (DeAngelo 1981) and therefore this type of research is more likely to shed light on the factors associated with type I audit reporting error and should increase audit reporting quality.

TABLE 1
DESCRIPTIVE STATISTICS AND UNIVARIATE TEST OF DIFFERENCES FOR SUBSEQUENT PERFORMANCE FOR GCM SAMPLE (2003-2005)

Variables	BKPT1=0 (n=1012)	BKPT1=1 (n=41)	t-statistics/Chi Squared Statistics	
	Mean	Mean	Coefficient	P-value
BIG	0.23	0.46	-2.967	0.005
DEFAULT	0.27	0.08	4.363	0.000
LNSALES	0.91	3.65	-6.349	0.000
PROB	0.76	0.88	-3.041	0.004
FEM_CFO	0.08	0.10	-0.306	0.760
NEW_CFO	0.33	0.41	-1.182	0.237
FEM_CEO	0.03	0.02	0.052	0.959
NEW_CEO	0.29	0.45	-2.307	0.048
FEM_EXEC	0.09	0.10	-1.45	0.885
NEW_EXEC	0.42	0.63	-2.55	0.011

TABLE 2
PEARSON CORRELATION FOR GCM CLIENTS (2003-2005)

	DEFAULT	BKPT1	FEM_CFO	FEM_CEO	NEW_CFO	NEW_CEO	LNSALES	PROB	New Executives	Female Executives
BIG	-0.044	.108	-.048	-.019	.016	-.017	.479	-.144	-.051	.026
	(0.156)	(0.000)	(0.120)	(0.533)	(0.613)	(0.586)	(0.000)	(0.000)	(0.096)	(0.396)
DEFAULT		-0.085	-0.071	-0.028	-0.131	-0.062	-0.004	0.071	-.052	-.123
		(0.006)	(0.022)	(0.361)	(0.000)	(0.044)	(0.885)	(0.022)	(0.094)	(0.000)
BKPT1			.009	-.002	.036	.069	.192	.062	.004	.079
			(0.760)	(0.959)	(0.237)	(0.024)	(0.000)	(0.046)	(0.885)	(0.011)
FEM _CFO				.188	.056	.010	-.051	-.019	.853	.043
				(0.000)	(0.071)	(0.740)	(0.098)	(0.541)	(0.000)	(0.163)
FEM_CEO					.001	.028	-.037	.026	.470	.017
					(0.966)	(0.361)	(0.229)	(0.393)	(0.000)	(0.581)
NEW_CFO						.447	.032	.010	.031	.808
						(0.000)	(0.303)	(0.742)	(0.321)	(0.000)
NEW_CEO							.018	.061	.024	.739
							(0.562)	(0.049)	(0.433)	(0.000)
LNSALES								-.142	-.052	.057
								(0.000)	(0.091)	(0.066)
PROB									.000	.036
									(0.991)	(0.249)
New Executives										0.048
										(0.118)
Female Executives										

P-values are in parentheses.

TABLE 3
REGRESSION RESULTS FOR SUBSEQUENT BANKRUPTCY RESULTS AFTER 1 YEAR FOR GCM CLIENTS (2003-2005)

Variables	Model 1	Model 1	Model 3	Model 4
	n = 1,053	n = 1,053	n = 1,053	n = 1,053
Intercept*	-5.288	-5.056	-5.300	-5.286
	(0.000)	(0.000)	(0.000)	(0.000)
BIG	-0.152	-0.148	-0.151	-0.152
	(0.377)	(0.252)	(0.252)	(0.377)
DEFAULT*	-1.778	-1.775	-1.775	-1.719
	(0.002)	(0.002)	(0.002)	(0.003)
LNSALES*	0.362	0.357	0.363	0.355
	(0.000)	(0.000)	(0.000)	(0.000)
PROB*	1.638	1.672	1.638	1.618
	(0.007)	(0.006)	(0.007)	(0.007)
NEW_CFO	0.007		0.004	
	(0.985)		(0.495)	
NEW_ CEO*	0.669		0.671	
	(0.034)		(0.033)	
FEM_ CFO		0.095	0.103	
		(0.440)	(0.437)	
FEM_CEO		-0.020	0.022	
		(0.493)	(0.246)	
FEM_EXEC			-0.362	-0.001
			(0.787)	(0.499)
NEW_EXEC*				0.537
				(0.006)
Pseudo R^2	0.19	0.18	0.19	0.19

Coefficients are followed by *P-values* in parentheses. See Appendix 1 for variable descriptions.

Model 1:
SubBKPTCY1 $= \beta_0 + \beta_1 *$ PROB $+ \beta_2 *$ LNSALES $+ \beta_3 *$ BIG $+ \beta_4 *$ DEFAULT $+ \beta_5 *$ NEW_CEO $+ B_6 *$ NEW_CFO $+ \varepsilon$

Model 2:
SubBKPTCY1 $= \beta_0 + \beta_1 *$ PROB $+ \beta_2 *$ LNSALES $+ \beta_3 *$ BIG $+ \beta_4 *$ DEFAULT $+ \beta_5 *$ FEM_CFO $+ B_6 *$ FEM_CEO $+ \varepsilon$

Model 3:
SubBKPTCY1 $= \beta_0 + \beta_1 *$ PROB $+ \beta_2 *$ LNSALES $+ \beta_3 *$ BIG $+ \beta_4 *$NEW_CFO $+ \beta_5 *$ FEM_CFO $+ B_6 *$ FEM_CEO$+ B_7 *$ NEW_CEO $+ B_8 *$ DEFAULT ε

Model 4:
SubBKPTCY1 $= \beta_0 + \beta_1 *$ PROB $+ \beta_2 *$ LNSALES $+ \beta_3 *$ BIG $+ \beta_4 *$ FEM_EXEC $+ \beta_5 *$ NEW_EXEC $+ B_6 *$ DEFAULT $+ \varepsilon$

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