International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252
www.ijmae.com

Original Research

Effect of CEO Characteristics and Financial Performance of Listed Consumer Goods Firms in Nigeria

Mohammed Bukar Kauji[1]
Department of Accounting, Ramat Polytechnic, Maiduguri, Nigeria

Shehu Hassan Usman, Saidu Adamu
Department of Accounting, Federal University of Kashere, Gombe, Nigeria

Received 22 August 2023 Revised 20 September 2023 Accepted 16 October 2023

Abstract

The study examines the effect of chief executive officers (CEO) Characteristics on the financial performance of listed fast moving consumer goods firms in Nigeria from 2013 to 2022. The study used a sample size of thirteen (13). The dependent variable was measured by ROA and ROE. The study engaged a secondary source of data which was obtained from the annual reports of the firms and NEG website. The results from the Driscoll-Kraay robust fixed effect regression analysis proved that CEO financial expertise and tenure have a positive and significant effect on the financial performance of the listed while CEO Political connection has a positive and insignificant effect on financial performance. The study concludes that firms with CEOs who are financial experts outperform firms without expertise in terms of financial performance in listed consumer goods firms in Nigeria. The study recommends among others that the board of the consumer goods firms when hiring CEOs should give significant weight to candidates' financial expertise. The recruitment process should assess the candidates' financial acumen, educational background, and relevant experience.

Keywords: CEO Financial Expertise, CEO Tenure, CEO Political connection, Financial Performance.

[1] *Corresponding author's Email: kaujiramat@gmail.com*

International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252 www.ijmae.com

Introduction

Leadership is thought to be essential to the development and progress of an oganisation (Wood & Vilkinas, 2005). The role of top management, especially CEOs, in guiding the organisation as a whole is essential in today's dynamic corporate world, which is characterised by increased market competitions, technological changes, volatility in inflation and interest rates, fluctuating exchange rates, changes in tax laws, and environmental issues, among others (Van Horne & Wachowicz, 2015). According to Canace et al. (2020), the CEO is the executive in charge of the company. The CEO is given the responsibility of managing the overall operations of the business, making important strategic decisions, and determining how effectively the organisation is using its resources (Lindeman, 2019). As a result, "the lever of power is uniquely concentrated in the hands of the CEO" (Nadler & Heilbern 1998, as cited in You et al. 2020), and some would even argue that the CEO has an obligation to choose the firm's course (Hambrick & Mason, 1984).

CEOs are essential to a company's success because they are in charge of making strategic choices that have a big impact on the business's financial performance (Carpenter, Geletkanycz, & Sanders, 2004). There is thus increased interest in figuring out how CEO traits like financial expertise, tenure, and political connections affect financial performance (Weichao et al. 2021; Liu & Yu, 2018; Kokeno & Muturi, 2016).The importance of the CEO's attributes is crucial since they have a bigger impact on the performance of the company (Bandiera, et al., 2020). As the executive management contributes to generating growth and manages the corporate problems to overcome the issue posed to a firm, the performance of the CEO is primarily responsible for the success or failure of the firm (Ason et al., 2021). Due in large part to the actions of the top management, which is in charge of making choices for the company, the recent global financial crisis has brought up the question of how effective corporate governance practices are. The importance of the top management position has increased as top executives have become more concerned with the company's

One of the biggest economic sectors in Nigeria is consumer goods, which made a significant contribution to GDP. However, a variety of reasons, including the COVID-19 pandemic and technological, supply chain and distribution, power, and security challenges, are believed to be having an impact on the industry and are expected to result in decreased profitability in 2021 (Nan., 2022). According to a study, Nestle, Nigerian Breweries, Dangote Sugar, Cadbury, Unilever, and Nascon collectively earned N81.9 billion in profit in 2021, down from N83.9 billion in 2020 (Nan., 2022).

According to studies, the financial expertise of the CEO in particular can significantly affect financial performance. CEOs who have earned degrees in accounting or finance typically outperform those without them (Kokeno & Muturi, 2016). Additionally, the CEO's tenure is quite important; CEOs that have been with the firm for a long time and have a strong understanding of the market, suppliers, and clients tend to perform better (Liu & Zhang, 2018). Furthermore, CEOs with political ties may have access to beneficial materials and information that might help their businesses, such as government contracts, financial incentives, and regulatory favours (Faccio, Masulis, & McConnell, 2006).

International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252 www.ijmae.com

Political connections, however, can also be a double-edged sword because they may result in cronyism claims and the possibility of reputational harm (Sharma, Cheng, & Leung, 2020). Additionally, the type of political connections might affect how well a company does. While connections to low-level authorities may have minimal impact, CEOs with ties to high-ranking officials or political parties may be better positioned to influence legislation and regulations in favour of their companies (Fan, Wong, & Zhang, 2007).

Despite considerable focus on how a CEO's features affect financial performance, it is still unclear which particular qualities are most strongly linked to successful outcomes. While some research have identified a substantial correlation between certain personality qualities or demographic variables, such as financial expertise, tenure, and political connection, and higher financial performance, other studies have found no such correlation. The association between a CEO's political connections and corporate performance has generated conflicting findings in studies. According to some studies (Wang , Xu , & Zhang, 2018), CEOs who are politically connected tend to do better than their unconnected peers. However, other studies (Gao, Huang, & Yang, 2019) found no evidence of a relationship. As a result, this study aims to examine how CEO characteristics affect the financial performance of listed consumer goods companies in Nigeria.

Literature Review

Chief Executive Officer (CEO)

Setting organisational plans, goals, objectives, organisational structures, and performance standards is under the purview of the CEO. As a result, in any organisational structure, the CEO serves as the source of the main idea and framework for the company (Ojeka, et al., 2017). Due to their legitimate hierarchical position and dedication to the organisation, CEOs are typically the most powerful members of the corporate elite (Brown & Sarma, 2007). They are often especially dedicated to the status quo in order to maintain the effectiveness of the current strategy and the persistence of certain leadership actions. In the context of organisations, a CEO's commitment to the organisation can be seen as a moral requirement that demonstrates how strongly they identify with and are involved in the organisation (Herri , Handika , & Yulihasri, 2017). The CEO is ultimately responsible for determining, sustaining, and attaining an organization's strategic path (Conte, 2018). The CEO oversees the coordination of various organisational tasks, works on developing a reputational risk management strategy, keeps track of potential external risks, and manages reputation under pressure (Economist Intelligence Unit, 2005).

Empirical Review

CEO Financial Expertise and Financial Performance

CEO financial expert CEOs as seen as individuals who hold an accounting qualification or have job experience as an auditor, chief financial officer (CFO), controller, or other accounting-related positions (Schmidtova, 2015). Kokeno and Muturi (2016) look at how CEO education affects an organization's success. Companies listed at the Nairobi market in Kenya for a seven-year period, from 2008 to 2014, make up the

International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252 www.ijmae.com

study sample. The method of multiple regression analysis is used in the study. The results of the study showed that CEO education had a beneficial impact on business performance. They found that a CEO with a thorough understanding of the company will assist the team perform better. The study, however, is foreign-focused and seven years behind schedule.

Also, Schmidtova (2015) looks at how CEO experience affects stock market performance. The research sample includes 14828 CEO year observations during an eight-year period, from 2007 to 2014, and 2226 CEOs. Regression analysis was employed in this study. Firms with financial experts as CEOs as opposed to non-financial experts were used as proxies for CEO expertise, while gross return and intra-year volatility were used to gauge stock market performance. The study's findings showed that CEOs with financial expertise can better manage operational performance and will withstand a stronger market return bounce. The study came to the conclusion that there are notable differences in the development and magnitude of stock market returns as well as corporate policies when comparing a CEO financial specialist with a non-expert. The study is international in focus and is seven years behind.

The impact of the CEO's financial knowledge on the company's stock performance is evaluated by Vorobyeva (2014). The study sampled 118 publicly traded companies in the UK over a ten-year period from 2002 to 2012. Panel data and ordinary least squares regression are used in the study. The stock performance is determined by cumulative stock return, whereas the CEO expertise is determined by whether the CEO is an accountant or a finance professor. The study discovered that a CEO's financial expertise has a negative impact on stock performance and that a CEO with a financial experience appears to lower stock return. This study had a foreign focus, which would have led to different conclusions for a developing country like Nigeria.

CEO Tenure and Financial Performance

According to Fujianti (2018), the duration of a person's leadership role in an organisation is referred to as their CEO tenure. According to Herri et al. (2017), organisation tenure is particularly recognised as a sign of experience in a specific job inside an organisation. There is conflicting information regarding the impact of a CEO's term on business performance.

Leong, Chan, and Yao (2018) look into the impact of the CEO's tenure on stock return performance. The study sampled 9996 distinct companies from the COMPUSTAT database during a 25-year span, from 1992 to 2016. To assess the performance of stock returns, additional monthly portfolio returns were used. The paper uses a fama-macbeth framework and formal regression. The study discovered that longer CEO tenure had a direct impact on firm stock returns due to increased company-specific expertise and experience. The study, however, had a global focus, and performance was assessed using monthly portfolio returns.

Nguyen, et al.(2017) explored how CEO tenure affects stock performance. utilising a sample of 2702 observations from Australian businesses over a ten-year period, from 2001 to 2011. The market-value ratio of equity plus total liabilities to asset book value was used in the study to gauge stock performance. This influence does not differ between advanced and growth organisations, according to the study, which also identified a negative correlation between CEO tenure and lower company performance. The ratio of market value to book value is employed here as a performance indicator, which is different from the performance indicator used in this study. The study is also seven (7) years behind and has a foreign focus.

Liu and Yu (2018) investigated the relationship between the CEO's service history and atypical returns. The performance of CEOs with longer and shorter tenures is compared in the study using a two sample t-test and multivariate regression. The Wharton research data services were used to derive 644,434 stock returns for the twenty-seven (27) years between 1992 and 2018. The study measures abnormal returns using the Fama French and Carhart four-factor model. According to the analysis, it is significant and feasible to generate abnormal returns with a portfolio that holds long positions in companies with long-serving CEOs and short positions in companies with short-serving CEOs. The study's findings suggest that tenure has a bigger impact on performance in small enterprises than in large organisations, according to the long-short strategy. However, the study had a global focus, and abnormal returns were used to gauge performance.

Diks (2016) investigates how CEO tenure affects business performance. 483 CEOs of S&P 500 businesses throughout a fifteen-year period, from 2000 to 2015, were included in the analysis. Results from a linear regression and a fixed effect model showed that the length of a CEO's tenure has a significant impact on the value of the company. The study comes to the conclusion that CEOs with longer tenures have more decision-making authority, which directly affects their stock performance. The study, however, is foreign-focused and cannot be generalised to all countries. The study also used Tobin Q, a unique method that does not provide a better picture of stock performance, to measure business performance.

CEO Political Connection and Financial Performance

The impact of political ties on company financial success in Tunisia was studied by EL Ammari (2022) using a sample of 304 non-financial Tunisian listed companies were observed between 2012 and 2019. The study discovered that political connections have a detrimental impact on the financial success of corporations, according to the study's use of multivariate regression analyses. They came to the conclusion that businesses with political ties can experience reputational hazards and legal problems that hurt their bottom line. However, this study was conducted outside Nigeria and cannot be used.

The research by Junus et al. (2022) looks at how the performance of a corporation is impacted by politically connected independent commissioners and independent directors. From 2010 to 2017, every listed company on the Indonesia Stock Exchange (IDX) was included in the sample. To address the endogeneity issue in this study, we use Heckman's 2SLS test and the ordinary least squares (OLS) regression model. They found that independent commissioners with political clout had no impact on the company's performance.

Theoretical Framework

The study was underpinned by two theories. The upper Echelon and resource dependency theories.

The Upper Echelons Theory

According to Hambrick and Mason (1984), the upper echelons hypothesis states that the CEO and his or her chosen team are in charge of developing and implementing an organization's strategy. Members of the organization's highest echelons always evaluate strategy and interpret strategic alternatives through the lens of their individual experiences, values, personalities, and other comparable human variables.

According to this idea, Hambrick and Mason (1984) contend that the CEO's pursuit of a company's organisational orientation and strategic vision is impacted or directed by his or her conception of the universe. They contend that CEO orientation, which depends on a person's experience, education, functional background, and other demographic criteria, has a crucial influence in how they perceive issues and the conceptual framework they use when making decisions. According to the theory's premise, a long-term CEO would tend to favour the status quo and be hesitant to put change management tactics into practise (Nielsen, 2010).

The theory contends that top management demographics contribute to organisational performance and a strategic choice in part. It also contends that managerial decisions are not always driven by rational considerations and are frequently influenced by the inherent limitations of executives as people (Mandala, 2017). According to the upper echelons idea, organisations with senior executives who have received management training and a higher degree of education may be "administratively more dynamic" (Hambrick and Mason 1984). According to studies on upper echelons, education level is a key characteristic of these individuals that can be utilised to predict strategic executive behaviour (Hambrick & Mason,1984).

A key event in the field of behavioural finance is clarified by the upper echelons theory. According to the theory (Hambrick & Mason, 1984), the CEO's traits or qualities determine the outcomes of the organisation and its performance peaks.

Resource Dependency theory

One "relationship resource" is a CEO's political connections. Through relationships with the government, the CEO can obtain outside resources, lowering the uncertainty the company faces. Through their personal networks, CEOs with political connections have greater access to helpful resources. Businesses with well-connected CEOs also have more avenues through which to connect and receive strategic information. Additionally, a political connection might provide the CEO more authority and status. In turn, this raises the CEO's standing and rights in the eyes of important stakeholders. When CEOs make investment decisions, political connections also make it easier to obtain more strategic resources, which reduces risk aversion behaviour (Faleye, Kovacs, & Venkateswaran, 2014). According to Zhang & Huang (2009), businesses with political ties are more likely

International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252
www.ijmae.com

to receive land resources, capital resources, and favourable tax laws. Political ties, according to Rusmin, Evans, and Hossain (2012), Sharma, Cheng, and Leung (2020), and Broadstock et al. (2020), considerably boost corporate performance. Wang , Xu , and Zhang (2018) claim that the termination of political connection greatly lowers firm value, while Fan (2021) show that the weakening of political connection lowers firm performance.

Methodology

In this section, the research adopts a positivist approach and utilizes an ex post facto research design. This choice is rooted in its ability to facilitate the extraction of quantitative data from the annual financial reports and accounts of consumer goods companies listed in Nigeria. The study spans a decade, covering the period from 2013 to 2022. The population for this study encompasses the 21 consumer goods firms in Nigeria that were listed on the Nigerian Exchange Group (NXG) as of December 31, 2022. The population was adjusted using a single filter criterion. Firms that were not listed as at December 31st 2013 till December 2022 would be excluded from the study. Also firm without enough information on CEO attributes were also excluded. Hence the study used a sample of 13 firms. The study also employed secondary data source from the firm annual report, (NXG) website and Google search with respect to CEO political connection. The study used descriptive statistics and regression analysis as analytical technique. Diagnostic tests were carried out to validate the classical linear regression model (CLMR) assumptions. The data collected have been summarized using descriptive statistics and was analyzed using multiple regression analysis using STATA.

Model Specification

The model is stated below as

$$ROA_{it} = \beta_0 + \beta_1 CEOFX_{it} + \beta_2 CEOTE_{it} + \beta_3 CEOPOL_{it} + \beta_4 AGE_{it} + \beta_5 LEV_{it} + \varepsilon i$$

Where:

ROA_{it} =*Return on asset for the company i in year t*

ROE_{it} =*Return on equity for the company i in year t*

β_0 = Coefficient of the constant variable

$CEOFX_{it}$ = CEO's financial expertise for the company i in year t

$CEOTE_{it}$ = CEO's tenure for the company *i* in year *t*

$CEOPOL_{it}$ = CEO's political connection for the company *i* in year *t*

LEVit = Leverage for the company *i* in year *t*

FAGE =firm age for the company *i* in year *t*

ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252

β_{1}, -β_{5}, =Regression coefficients of independent variables

ε_i = error term.

Dependent Variable

The dependent variable for this study is the financial performance. This will be proxied by ROA which is measured by profit after tax deflated by total assets. ROE is calculated as profit after tax deflated by total equity of each company.

Independent Variables

The independent variables for this study are CEO financial expertise, CEO tenure and CEO political connection.

A similar approach is also adopted for CEO financial expertise A dummy variable is 1 if a CEO has experience in accounting and finance and 0 otherwise (Thitima & Piruna 2006). For CEO tenure, dummy variable 1 if the CEO has stayed for more than 3 year, 0 otherwise. With regard to political connection, dummy variable 1 if the CEO is politically connected, and 0 if not (Weichao et al., 2021).

Control variable

Firm age is year of listing in the Nigeria stock exchange, Leverage is the total debt deflated by total asse

Result and Discussion of Findings

Table 1. Descriptive Statistics of the Variables

Variables	No OBS	MEAN	STD DEV	MIN	MAX
ROA	130	6.30	7.81	-12.89	30.33
ROE	130	15.57	44.94	-372.34	187.28
CEOFX	130	0.192	0.396	0	1
CEOTE	130	0.415	0.495	0	1
CEOPOL	130	0.246	0.432	0	1
AGE	130	37.35	14.58	5	58
LEV	130	0.571	0.190	0.101	1.504

Table 1 reveals description of the variables of study. The ROA has a mean value of 6.3% and a standard deviation of 7.81%. The positive mean value of 6.3% implies that the listed consumer goods firms on average are efficient in making profit, out of a given asset for the period of the study. The standard deviation revealed that the firms used for the study do not have same pattern of return on asset evidenced by the wide dispersion of their individual ROAs from the mean. The table also showed that ROA has a minimum loss return of -12.89% and the highest recorded return as 30.33%.

Regarding ROE, table 1 shows an average value of 15.57% and a standard deviation of 44.94%. The positive mean value of 15.57% implies that the listed consumer goods firms on average are efficient in making profit, out of a given equity for the period of the study. The standard deviation revealed that the firms used for the study do not have same pattern of return on equity evidenced by the wide dispersion of their individual ROEs from the mean. The table also showed that ROE has a minimum loss return of -372,34% and the highest recorded return as 187.28% respectively.

With regard to CEO financial expertise, table 1 shows that the mean value of CEO financial expertise (CEOX) measured with a dichotomous variable is has mean value of 0.19 with a standard deviation is 38. This shows that on average, 19.2% of the firms CEO are financial expertise which is not much. Further, table 1 revealed that with respect to CEO tenure, 41.5% of the sample firms during the period of the study have stayed more than 3 years in office as CEO of the firms. In addition, CEO political connection (CEOPOL) measure with a dichotomous variable shows a mean value of .246 and a standard deviation of 0.43. This mean value indicates that on average 24.6% of the sample firms CEO are politically connected.

On the control variable, the table reveals that the leverage has a mean value of 0.57 which suggests that the sample firms are highly levered as 57.1% of the asset are covered by debt. Further, the standard deviation of 0.19 shows is a common practice evidence by low dispersion in the standard deviation. Finally, the table shows that firm age another control variable has an average age of 37years and a standard deviation of 15years.

Results of Diagnostic Test

In this section, the results of normality of the data, multicollinearity test, heteroskedasticity test, Hausman specification test, are presented and discussed, as shown in the tables below as follows

Normality of Data

Table 2. Normality test

Variables	Obs	Chi2	Prob>z
ROA	130	13.80	0.001
ROE	130	44.41	0.000

Source: Jacque Bera normality test

One classical assumption of OLS regression model is that the error terms are normally distributed. The normality of the residual was test using Jacque Bera test at 5% level of significant. The residual reveal a significant p-value of .001 for ROA model and 0.000 for ROE model which are less than 5% level of significance. This suggest that the residual is not normal distributed.

Multicollinearity Test

Table 3. Multicollinearity test

Variable	VIF	1/VIF
CEOFX	1.36	0.735
CEOTE	1.06	0.942
CEOPOL	1.19	0.843
AGE	1.47	0.682
LEV	1.11	0.897
MEAN VIF	1.24	

Source: VIF result using Stata 13

The study tested for multicolearnity among the CEO attributes and the control variables. The results from Table 3 showed that there is no presence of harmful correlation among the independent variables as the largest Variance inflation factor (VIF) is 1.47 and the smallest tolerance value (TV) is 0.682.

Heteroscedasticity

Table 4 Heteroscedasticity Tests

MOELS	Test	Chi2	P-value
ROA	Breusch- Pagan or cook – Weisberg to test	0.78	0.376
ROE	Breusch- Pagan or cook – Weisberg to test	15.23	0.0001

Heteroscedasticity test was conducted using Breusch- Pagan or cook – Weisberg to test for Heteroscedasticity to look out for this assumption. The Breusch- Pagan or cook – Weisberg test is set at 5% level of significance with a null hypothesis of constant variance (i.e, it is Homoskedastic) the result from table 4 shows a chi2 is 1.61 and the prob>chi2 is 0.376 which is greater than 5 % level of significance. This points out that there is no presence of heteroskedasticity. However, model for ROE display P-value of 0.0001 which suggests that there is presence of heteroskedasticity and need to be corrected.

Panel Analysis Diagnostic Test

Table 5. Hausman Specification Test Effects

	Test	Chi2	P-Value
ROA	Hausman Specification Test	94.66	0.000
ROE	Hausman Specification Test	12.85	0.024

Hausman specification test was conducted after running fixed and random effect model to decide if the effect is random or fixed. The result shows that at 5% level of significance, the chi2 prob>chi2 is 0.000 and 0.024 which is at 5% level significance. This significant p-value shows that Hausman test favors fixed effect model for both model. Due to presence of heteroskedasticity and normality of the data, the study takes

International Journal of Management, Accounting and Economics
Volume 10, Issue 12, December 2023
ISSN 2383-2126 (Online)
DOI: https://doi.org/10.5281/zenodo.10663252
www.ijmae.com

care by using a more robust model with Dicroll-Kraay standard error. Thus, robust fixed effect model was interpreted in the study.

Table 6. Fixed Effect Regression Model with Driscoll-Kraay standard errors

Variable	Coefficients	TV-value	P-value	Coefficients	TV-value	P-value
CEOFX	3.46	3.33	0.009	0.660	4.30	0.002
CEOTE	1.676	2.39	0.040	0.192	3.49	0.007
CEOPOL	2.718	1.62	0.139	0.432	1.86	0.097
AGE	59.123	5.91	0.000	6.02	2.76	0.022
LEV	3.14	6.23	0.000	-0.016	-0.58	0.578
Constant	-4.36	-4.59	0.001	0.235	2.81	0.020
R2 within	34,43			14.43		
f-statistic	136.6			44.84		
p-value	0.000			0.000		

Source: Robust Fixed effect model Result, * denote statistical significance at 5%

Interpretation

The table 6 above presents the result of robust fixed effect model selected for the study based on the Hausman specification test. The regression result discloses that the CEO attributes which are CEO financial expertise, CEO tenure and CEO political connection and the control variables leverage and firm age are able to given account of 34.43% changes in the ROA of the listed consumer goods firms in Nigeria. The F- statistics chi square reveals a value of 136.6 and a p-value of 0.000 which is significance at less than5% level significance. This reveals that the model is fit and adequate. It also shows that the variables jointly have significant effect on the ROA of the listed consumer goods firms in Nigeria.

Further, he regression result discloses that the CEO attributes which are CEO financial expertise, CEO tenure and CEO political connection and the control variables leverage and firm age are able to given account of 14.43% changes in the ROE of the listed consumer goods firms in Nigeria. The F- statistics chi square reveals a value of 44.84 and a p-value of 0.000 which is significance at less than5% level significance. This reveals that the model is fit and adequate. It also shows that the variables jointly have significant effect on the ROE of the listed consumer goods firms in Nigeria.

Discussion of Major Findings

From the tests carried out on the data collected and the analyses of the results, these findings are discussed below.

CEO Financial Expertise and Financial Performance

Table 6 reveals that CEO financial expertise has positive and significant relationship with ROA. The table 12 above reveals that CEOFX has a coefficient of 3.46 and p-value of 0.009 which is significant at 5% level of significance. This implies that when firms appoint financial expertise as CEO, the firm ROA will increase by 3.46.-Further, table 6 reveals CEOFX on ROE has a coefficient of 0.660 and p-value of 0.002 which is significant at 5% level of significance. This implies that when firms appoint financial expertise as CEO, the firm ROE will increase by 0.660.

Both finding suggests that financial expertise CEO enhances the financial performance of the listed consumer goods firms in Nigeria. This suggests that if the CEOs are knowledgeable in finance, this will guide them in making strategic discussion and evaluation that will improve the financial performance. As such, financial expertise CEOs perform better than Non-financial expertise CEOs. The finding that CEO financial expertise has a positive and significant effect on the financial performance of listed consumer goods firms in Nigeria highlights the importance of having leaders with strong financial knowledge and skills in this particular industry. Here are some points to consider in the discussion. Further, financially astute CEOs understand the importance of cost management and efficiency. They can implement cost-saving measures, identify areas for cost reduction, and streamline operations to enhance profitability. Their financial expertise allows them to identify wasteful expenditures, negotiate favorable contracts, and optimize the allocation of financial resources, leading to improved financial performance.

The upper echelon hypothesis predicts that Chief Executive Officers (CEOs) who are financial experts can produce better financial decisions and make decisions faster than non-experts, which may result in firm success. This results was in line with that idea. Additionally, it agrees with Schmidtova (2015) and Kokeno and Muturi (2016)'s findings who discovered that CEOs with backgrounds in finance and accounting have a better understanding on financial matters which improves financial performance. This finding is contrary to that of Vorobyeva (2014) and others who discovered that a CEO's financial background had no bearing on performance.

CEO Tenure and Financial Performance

Table 6 shows that CEO tenure (CEOTE) has a coefficient of 1.68 and a p-value of 0.040 which is significant at less than 5% level of significance. This indicates that CEOTE has a significant and a positive and significant effect on ROA of listed consumer goods companies in Nigeria. It suggests that any increase in the tenure of the chief executive officer will lead to 1.68 increase in ROA. In addition, Table 7 shows that CEO tenure (CEOTE) on ROE has a coefficient of 0.192 and a p-value of 0.007 which is significant at less than 5% level of significance. This indicates that CEOTE has a significant and a positive and significant effect on ROA of listed consumer goods companies in Nigeria. It suggests that any increase in the tenure of the chief executive officer will lead to 0.192 increase in ROE. The findings suggest that CEO Tenure has positive and significant effect on financial performance of listed consumer goods firms in Nigeria. This could result from the fact that CEOs who have longer tenures tend to accumulate valuable experience and industry knowledge over time. They develop a deep understanding of the consumer goods sector, market dynamics, and competitive landscape. This expertise allows them to make more informed strategic decisions and navigate challenges effectively, leading to improved financial performance. Furthermore, CEOs with longer tenures have more time to build and nurture relationships with various stakeholders, including suppliers, customers, investors, and regulatory bodies. Strong relationships can result in favorable business partnerships, increased customer loyalty, improved access to capital, and better regulatory compliance. These factors positively influence financial performance. This finding is in line with upper echelon theory which predicted a negative relationship for longer tenure CEO. The findings is in line with the stock of Leong, et al. (2018) and Diks (2016) and so forth whose finings aligned upper echelon theory as they found evidence that longer tenure CEOs have wide knowledge about the firms that will improve performance. This findings is contrary to the study of Saidu and Baba (2020) who findings suggest that CEO tenure has a detrimental impact on business performance as assessed by ROA.

CEO Political Connection and Financial Performance

The result from table 6 shows that CEO political connection (CEOPOL) has a coefficient of 2.72 and a p-value of 0.139 which is greater than 5% level of significance. This shows that CEO political connection has no significant effect on the ROA of the listed consumer goods firms in Nigeria. Further, table 7 shows that CEO political connection (CEOPOL) on ROE has a coefficient of 0.432 and a p-value of 0.097 which is greater than 5% level of significance. This shows that CEO political connection has no significant effect on the ROE of the listed consumer goods firms in Nigeria.

It reveals that CEO having political connection will not result in any change in financial performance. The finding implies that politically connected CEO does not. This suggests that although theory expect politically connected CEO firms to perform better, the politically connected CEO of listed consumer goods firms in Nigeria are not utilizing their connection effectively to the benefit of the companies. This findings is positive direction is in line with resource dependency theory however, not significant. It is in line with Junus et al. (2022) and Gao et al. (2017) who found no significant relationship between CEO with political connection and financial performance. It is also contrary to Weichao et al. (2021). Innayah and Pratama (2022) pointed that politically connected banks are viewed as highquality assets because they are more likely to obtain support from their political connections in the event of financial difficulties, the study's findings were in line with this theory. Further, EL Ammari's (2022) pointed that politically connected firms may face reputational risks and legal issues that negatively impact their bottom line.

Conclusions and Recommendations

This study examines the effect of chief executive officer's attributes on the financial performance of listed consumer goods firms in Nigeria in Nigeria for the period 2012 to 2022. The study measured financial performance using ROA and ROE. The results from the models reveals that CEO financial expertise and CEO tenure have positive and significant effect on ROA and ROE of listed consumer goods firms in Nigeria while CEO political connection has positive and insignificant effect on ROA and ROE listed consumer goods firms in Nigeria. The study concludes that firms with CEO who are financial expertise outperform firms without expertise in term of financial performance in listed consumer goods firms in Nigeria. Secondly, longer tenured CEO improves the financial performance of listed consumer goods firms in Nigeria while politically connected CEO does not influence financial performance listed consumer goods firms in

Nigeria. In line with the findings and the conclusions of this study, the study recommends that board of directors of listed consumer goods firms in Nigeria When hiring CEOs, consumer goods firms should give significant weight to candidates' financial expertise. The recruitment process should assess the candidates' financial acumen, educational background, and relevant experience. A strong emphasis on financial expertise in the selection criteria will increase the likelihood of appointing CEOs with the necessary financial skills to drive financial performance. In addition, Companies should strive to create an environment that encourages CEO retention and long tenures. This can be achieved by implementing effective succession planning strategies, providing competitive compensation packages, and fostering a positive and supportive organizational culture.

Based on the conclusion drawn on findings, it is necessary and desirable that the management of listed consumer goods companies in Nigeria should focus on aligning the CEO's long-term goals with the organization's objectives to incentivize their commitment and dedication. CEOs with political connections should leverage their political connections to gain market intelligence and stay informed about government policies, regulations, and upcoming changes that may impact the consumer goods industry. This can help the firm proactively respond to changes and adapt its strategies accordingly.

The study recommend that future studies should investigate the mediating and moderating factors that may influence the relationship between CEO characteristics and financial performance. Factors such as organizational size, ownership structure, industry competition, and external market conditions could potentially affect this relationship. Understanding these factors can provide deeper insights into the mechanisms through which CEO characteristics impacts financial performance.

References

Ang , J. S., Ding , D. K., & Thong, T. Y. (2013). Political connection and firm value. *Asian Review, 30(2)*, 131-166.

Ason, Y. J., Bujang, I., Jidwin, A. P., & Said, J. (2021). A Manifestation of Accounting Conservatism: A Case Study in Malaysia. *The Journal of Asian Finance, Economics, and Business*, *8*(2), 365-371.

Bandiera, O., Buehren, N., Burgess, R., Goldstein, M., Gulesci, S., Rasul, I., & Sulaiman, M. (2020). Women's empowerment in action: Evidence from a randomized control trial in Africa. *American Economic Journal: Applied Economics*, *12*(1), 210-259.

Broadstock, D., Chen, X. O., Cheng, C. S., & Huang, W. L. (2020). The value of implicit political connections. *Journal of International Accounting Research, 19*(2), 1-18.

Brown, R., & Sarma, N. (2007). CEO overconfidence, CEO dominance and corporate acquisitions. *Journal of Economics and Business*, *59*(5), 358-379.

Canace, T. G., Cianci, A. M., Liu, X., & Tsakumis, G. T. (2020). Paid for looks when others are looking: CEO facial traits, compensation, and corporate visibility. *J Bus Res, 115*, 85–100. doi:https://doi.org/10.1016/j.jbusres.2020.04.039

Carpenter, M. A., Geletkanycz, M. A., & Sanders, W. (2004). Upper echelons research revisited: Antecedents, elements, and consequences of top management team composition. *Journal of Management, 30*(6), 749–778.

Cheng, W., Zhao, J., & Xue, F. (2021). CEO political connection, governance mechanisms, and firm performance. *Revista Argentina de Clínica Psicológica, 30*(2), 834-845.

Conte, F. (2018). Understanding the influence of CEO tenure and CEO reputation on corporate reputation : An exploratory study in Italy. *International Journal of Business and Management, 13*(3), 54-66.

Diks, J. (2016). *The impact of CEO characteristics on firm value Master thesis.* Tilburg school of Economics & Management.

Economist Intelligence Unit. (2005). *Reputation: Risk of risks.* Economist Intelligence Unit’s Global Risk Briefing.

El Ammari, A. (2022). Does political connection affect corporate financial performance? The moderating role of directors’ financial expertise. *Journal of Financial Reporting and Accounting Advance online publication*. doi: doi:10.1108/JFRA-08-2021-0257

Faccio, M., Masulis, R., & McConnell, J. J. (2006). Political contributions and corporate bailouts. *Journal of Finance, 61*(6), 2597–2635.

Faleye, O., Kovacs, T., & Venkateswaran, A. (2014). Do better-connected CEOs innovate more? *Journal of Financial & Quantitative Analysis, 49*(6), 1201-1225.

Fan, J. (2021). The effect of regulating political connections: Evidence from China's board of director’s bank. *Journal of Comparative Economics, 42*(2), 553-578.

Fan, J. H., Wong, T. J., & Zhang, T. (2007). Politically connected CEOs, corporate governance and post-IPO performance of China's newly partially privatized firms. *Journal of Financial Economics, 84*, 330–357.

Fujianti, L. (2018). Top management characteristics and company performance: An empirical analysis on public companies listed in the Indonesian stock exchange. *Eur Res Stud J, 21*(2), 62–72.

Gao, W., Huang, Z., & Yang, P. (2019). Political connections, corporate governance, and M&A performance: Evidence from Chinese family firms. *Research in International Business and Finance, 50*, 38–53.

Gordon, I. M., Hrazdil, K., Jermias , J., & Li, X. (2021). The effect of misalignment of CEO personality and corporate governance structures on firm performance. *J Risk Financ Manag*, 14. doi:https://doi.org/10.3390/jrfm14080375

Hambrick , D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review, 92*(2), 193–206.

Herri , J. A., Handika , R. F., & Yulihasri. (2017). CEOs characteristics and the successful of turnaround strategy: Evidences from Indonesia. *Acad Strateg Manag J, 16*, 69–80.

Junus , O., Nasih , M., Anshori , M., & Harymawan, I. (2022). Politically connected independent board and firm performance. *Cogent Economics & Finance, 10*(1).

Kokeno , S. O., & Muturi, W. (2016). Effects of chief executive officers'characteristics on the financial performance of firms listed at the Nairobi Securities Exchange. *International Journal of Economics, Commerce And Management, IV*(7).

Leong, M., Chen , X., & Yao, X. (2018). CEO Tenure and Stock Returns Performance. *Available at SSRN 3100746*.

Lindeman, T. (2019). *CEO characteristics and firm performance. (Master's Dissertation).* University of Vaasa.

Liu, H., & Zhang, Y. (2018). *CEO Tenure and Abnormal Returns. Master thesis.* Simon Fraser University, Canada.

Nadler, D. A., & Heilpern, J. D. (1998). *The CEO in the context of discontinuous change.* Harvard Business School Press.

Nan. (2022). *NBCC, UAC seek increased performance of consumer goods sector Business Day.* hppt://businessday.ng/uncategorized/article/nbcc-uac-seek-increased- performance -of- consumer- goods-sector-.

Nguyen, P., Rahman, N., & Zhao, R. (2017). CEO characteristics and firm valuation: a quantile regression analysis. *Journal of Management & Governance, 22*(1), 133-151.

Nielsen , S., & Huse, M. (2010). The contribution of women on boards of directors: Going beyond the surface Corporate governance. *An international review, 18*(2), 136-148.

Ojeka, S. A., Adetula , D. T., Mukoro , D. O., & Kpo. (2017). Does Chief Executive Office Succession Affect Firms Financial Performance in Nigeria? *International Journal of Economics and Financial Issues, 7*(2), 530-535.

Rusmin, R., Evans, J., & Hossain, M. (2012). Ownership structure, political connection and firm performance: Evidence from Indonesia. *Corporate Ownership & Control, 1*, 434-443.

Schmidtova, A. (2015). *The Value of CEO and CFO Financial Expertise.* Amasterdam Business School.

Sharma, P., Cheng, L., & Leung, T. Y. (2020). Impact of political connections on Chinese export firms' performance-lessons for other emerging markets. *Journal of Business Research*, *106*(1), 24-34.

Van Horne, J. C., & Wachowicz, J. M. (2015). *Fundamentals of financial management.* India: PHI Learning Private Limited.

Vorobyeva, A. (2014). *Financial Expertise of the Board of Director in Companies with Small Market Capitalization.* School of Economics and Management.

Wang , F. J., Xu , L. Y., & Zhang, J. R. (2018). Political connections, internal control and firm value: Evidence from China's anti-corruption campaign. *Journal of Business Research*, *86*, 53-67.

Wood , J., & Vilkinas, T. (2005). Characteristics associated with success: CEOs' perspectives. *Leadersh Org Dev J, 26*(30), 186–196.

Zhang , M., & Huang, J. C. (2009). Political correlation, diversification and enterprise risk Evidence from China's security connection market. *Management World*, *7*, 156-164.

HOW TO CITE THIS ARTICLE

Kauji, M., Usman, S., & Adamu, S. (2023). Effect of CEO Characteristics and Financial Performance of Listed Consumer Goods Firms in Nigeria. *International Journal of Management, Accounting and Economics*, *10*(12), 1058-1079.

DOI: https://doi.org/10.5281/zenodo.10663252

URL: https://www.ijmae.com/article_190042.html