

# MANAGERS PROFILE DIVERSITY AS A STRATEGIC LEVER FOR VALUE CREATION: A FOCUS ON ACCOUNTING CONSERVATISM IN BRAZILIAN AND FRENCH COMPANIES

## *DIVERSIDADE DO PERFIL DOS GESTORES COMO UMA ALAVANCA ESTRATÉGICA PARA CRIAÇÃO DE VALOR: UM ENFOQUE NO CONSERVADORISMO CONTÁBIL DE EMPRESAS BRASILEIRAS E FRANCESES*

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## ABSTRACT

**Purpose** – The research aimed to analyze the relationship between the diversity of the managers' profile as a lever for value creation and the accounting conservatism of Brazilian and French companies.

**Design/methodology/approach** – The sample consisted of 71 Brazilian companies and 67 French companies, listed in the B3 Index IBrX-100 and the SBF 120 Index of Euronext Paris, respectively. Multiple Regression was used to analyze the data (2011 to 2015).

**Findings** – The results revealed that the characteristics of the diversity of the profile of Brazilian managers that are related to accounting conservatism are: age, place of formation and position occupied in the directive body. In France, the characteristics are: degree of schooling, link with the company and function performed.

**Research limitations/implications** – The limitation of the impossibility of generalizing the results is highlighted. As theoretical contributions, this research analyzes an element that can be considered for analysis in the face of accounting conservatism: the profile of managers.

**Practical implications** – The diversity of the managers' profile should be considered in companies, since it has repercussions on accounting conservatism, that is, on how managers conduct accounting to maximize company value.

**Social implications** – The findings have social implications for professionals who aim to enter the Brazilian and French labor market.

**Originality/value** – The study advances in the accounting area, as it analyzes the governing body of organizations, an important differential in the analysis of the demographic, professional and performance characteristics of managers and their relationship with accounting conservatism.

**Keywords:** Manager Profile Diversity, Strategic Levers, Accounting Conservatism, Brazil, France.



## RESUMO

**Objetivo** - A pesquisa objetivou analisar a relação entre a diversidade do perfil dos gestores, como uma alavanca para a criação de valor, e o conservadorismo contábil de empresas brasileiras e francesas.

**Desenho/metodologia/abordagem** - A amostra constituiu-se de 71 empresas brasileiras e 67 empresas francesas, listadas no Índice IBrX-100 da B3 e Índice SBF 120 da Euronext Paris, respectivamente. Para a análise dos dados (2011 a 2015) utilizou-se a Regressão Múltipla.

**Resultados** - Os resultados revelaram que as características da diversidade do perfil dos gestores brasileiros que se relacionam com o conservadorismo contábil são: idade, local da formação e cargo ocupado no corpo diretivo. Na França, as características são: grau de escolaridade, vínculo com a empresa e função exercida.

**Limitações/implicações da pesquisa** – Destaca-se a limitação da impossibilidade da generalização dos resultados. Como contribuições teóricas esta pesquisa analisa um elemento que pode ser considerado para as análises diante da temática do conservadorismo contábil: o perfil dos gestores.

**Implicações práticas** - A diversidade do perfil dos gestores deve ser considerada nas empresas, visto que apresenta reflexos no conservadorismo contábil, isto é, na maneira como os gestores conduzem a contabilidade no intuito de maximizar o valor da empresa.

**Implicações sociais** – Os achados apresentam implicações sociais para os profissionais que almejam inserir-se no mercado de trabalho brasileiro e francês.

**Originalidade/valor** – O estudo avança na área contábil, pois analisa o corpo diretivo das organizações, um diferencial importante frente à análise das características demográficas, profissionais e de atuação dos gestores e sua relação com o conservadorismo contábil.

**Palavras-chave:** Diversidade do Perfil dos Gestores; Alavancas estratégicas; Conservadorismo Contábil; Brasil; França.

## 1 INTRODUCTION

Strategic management involves the decision, behavior and actions of managers, factors that can affect the way the organization anticipates market uncertainties (Simons, 1990). Possibly the diversity of managers, understood in the study as the individual and specific characteristics of the profile of each manager (Holck et al., 2016), may have an impact on accounting conservatism.

According to Ng and Sears (2010), companies need to attract and retain an increasingly diversified workforce, which makes it possible to create a competitive advantage. This diversity of managers acts as a strategic lever for the creation of value in organizations and may even influence accounting conservatism, since the control lever concerns company policies, emphasizing the importance given to changing the conduct of entities (Rangéon, 2004), through the governing body.

For Lounsbury et al. (2016), a distinctive profile of managers clarifies their occupational identity in organizations, which contributes to the understanding and performance of their roles. Diversity possibly impacts the relationship between individuals and can contribute to minimizing conflicts of interest and information asymmetry. According to Habid and Hossain (2013), the profile of managers is an important determinant of financial results. The profile of managers can affect accounting choices, as they can use mechanisms to manipulate accounting data. In the view of Whats and Zimmerman (1986), managers can use accounting methods that increase the company's results in the short term, to increase their own income, which in a way, would affect the quality of the information disclosed. Agency models recognize that managers can have freedom in organizations to change corporate decisions to achieve their own goals (Bertrand & Schoar, 2002; Bamber et al., 2010).

Among these methods, conservatism stands out. An important aspect of accounting, faced by companies, is accounting conservatism (Ho et al., 2015; Ruch & Taylor, 2015; Duong & Evans, 2016). Defined as accounting policies or even trends that result in a reduction in the net book value



in relation to the economic net book value (Ruch & Taylor, 2015). LaFond and Watts (2007) highlight that information asymmetry generates accounting conservatism and the greater the asymmetry between managers and investors, the greater the conservatism in the reports. Ho et al. (2015) approach that conservatism has important consequences for companies. The results of the study by Gonzaga and Costa (2009) suggest that companies with agency problems may demand more conservative accounting. According to Francis et al. (2014), the profile of managers can affect accounting practices; therefore, the diversity of the governing body can minimize the problems of agency and information asymmetry existing between the company and the stakeholders.

Several studies were carried out based on the theme of the profile of managers and accounting in different contexts and countries, such as, for example, Benschop and Meihuizen (2002) – gender and financial reporting, Bertrand and Schoar (2002) – manager style and company policies, Smith et al. (2005) – women in top management and company performance, Gallego-Álvarez et al. (2010) – gender diversity and company performance, Bamber et al. (2010) – management style and voluntary disclosure of corporate financial information, Perryman et al. (2016) – gender diversity, company performance and executive compensation, Khaw et al. (2016) – gender diversity, state control and corporate risks and Duong and Evans (2016) – management of results and characteristics of managers.

The relationship between the characteristics of the managers' profile and accounting conservatism was analyzed by Ge et al. (2011) - managers and accounting practices, Yunos et al. (2014) – internal governance mechanisms and accounting conservatism, Francis et al. (2014) - accounting conservatism and a characteristic of managers (gender) and Ho et al. (2015) - gender characteristics, ethical leadership and accounting conservatism.

However, no evidence was found about the profile of managers (demographic characteristics, professional profile and the position held in the company) and its relationship with accounting conservatism in the Brazilian and French context, which encourages the development of new studies. The gap for this research was the identification that studies related to the profile of managers are still limited and mixed in accounting. This research differs from the aforementioned studies in that it analyzes the governing body of organizations, which is an important differential in the analysis of the demographic, professional and performance characteristics of managers and their relationship with accounting conservatism.

The question that guides the development of the research is: what is the relationship between the diversity of the profile of managers, as a lever for creating value, and accounting conservatism? The objective of the study is to analyze the relationship between the diversity of the profile of managers, as a lever for the creation of value and the accounting conservatism of Brazilian and French companies.

The justification for the comparative analysis between Brazil and France stems from the fact that, according to the Organization for Economic Cooperation and Development (OECD, 2016), Brazil is the Latin American country that maintains the largest volume of commercial transactions with France. The choice for these countries is justified by their historical, social and political construction. France considered a liberal democracy and Brazil a young democracy.

The analysis of the proposed theme in the Brazilian and French context is justified, as the study by Ball et al. (2000) revealed that the differences in accounting conservatism between companies in different countries occur due to the demands that accounting satisfies under different institutional arrangements. According to Rahman et al. (2010), France has had a more conservative approach to regulate accounting activities. Therefore, conservatism in Brazil may be different from France.

This research provides a guide for companies, as the results contribute to the analysis of which characteristics of the profile of managers (demographic, professional and action in companies), should be used as a criterion for the selection of managers and the definition of new roles for managers. The findings of this research have practical implications for professionals who aim to enter the Brazilian and French labor market.



This study recognizes that aspects related to the diversity of managers in the work environment can leverage the possibilities of creating value for organizations. As theoretical contributions, it is noteworthy that this research analyzes one more element that can be considered for analysis in the face of accounting conservatism, the profile of managers. According to Whats and Zimmerman (1986), they can use accounting methods (accounting conservatism), to maximize their remuneration and this may be linked to the professional profile that companies have in the board of directors, as they are responsible for making accounting decisions.

## 2 DIVERSITY OF MANAGERS PROFILE AND ACCOUNTING CONSERVATISM

The increase in the complexity of the business has raised the importance of the role of managers of the governing body in organizations. It is essential to explore and investigate the characteristics and skills of these managers (Duong & Evans, 2016). In a meta-analysis carried out by Haynes (2016), the authors argue that the characteristics of the managers' profile are related to accounting, as it provides support for organizational decision-making. Studies related to diversity must analyze demographic aspects and the formation of the governing body, as this can lead to different consequences in decision making (Jackson et al., 1995).

One of the main characteristics of the quality of accounting information is conservatism, which is why its understanding has attracted the attention of accounting researchers and professionals (Ruch & Taylor, 2015). Basu (1997) and Watts (2003a) approach that conservatism is an accounting trend that requires a greater degree of verification to recognize good news as gain, instead of recognizing bad news as a loss. It is postulated not to anticipate profit, but to anticipate losses (Basu, 1997; Watts, 1993; Watts, 2003a; 2003b). We chose to analyze the relationship between the characteristics of managers and accounting conservatism, as this is one of the most influential principles of accounting and aims to reflect the attitudes of managers concerning risk. In addition, because the management of a company's financial information system is the main responsibility of the governing body (Francis et al., 2014).

Conservatism aims to minimize the ability of managers to manipulate accounting numbers, the asymmetry of information between principal and agent, and the losses generated by information asymmetry, which provides for increases in the equity value of companies (Watts, 1993; Basu, 1997; García Lara & Mora, 2004; Lafond & Watts, 2007). Basu (1997) points out that conservative practice focuses on underestimating accounting results.

Research in the accounting area has begun to investigate how decisions related to managers of the governing body affect corporate accounting (Francis et al., 2014). Regarding the relationship between the demographic characteristics (age, gender and nationality) of managers and accounting conservatism, Benschop and Meihuizen (2002) emphasize that financial reports are an instrument capable of providing information to the most diverse users and can reveal identity corporate.

The results of Bertrand and Schoar (2002) indicate that older managers tend to be more conservative. Jiang et al. (2010) and Ge et al. (2011), also provide strong evidence showing that older and more experienced managers have a more direct impact on accounting for decisions related to accounting conservatism. Bamber et al. (2010) found that older managers have more conservative accounting disclosures. Given the relationship between the age demographic characteristic and accounting conservatism, the arguments suggest that managers of the older management body may develop communication styles that reflect more conservative accounting (Bamber et al., 2010).

Regarding gender and accounting conservatism, Benschop and Meihuizen (2002) emphasize that gender has important contributions to the accounting area. Carter et al. (2003) found a



positive effect of the percentage of women on the boards of directors and the value of the company. Smith et al. (2005) found evidence that the characteristics of the profile, in this case, female gender are positively related to the performance of companies. Ho et al. (2015) revealed that the gender of managers has a positive relationship with accounting conservatism.

Perryman et al. (2016) and Khaw et al. (2016) revealed that companies with greater gender diversity have less risk, which reflects in the quality of accounting information. Khaw et al. (2016) highlight that one of the benefits of gender diversity is to relieve excess corporate risk behaviors. Men generally make more risky decisions and women seek to avoid uncertainty when compared to men.

Francis et al. (2014) and Duong and Evans (2016) demonstrated that female managers adopt more conservative financial reporting policies and offer a higher quality of accounting information compared to males. According to Duong and Evans (2016), female managers can positively affect the quality of financial information through less involvement in earnings management, which will also reflect on accounting conservatism.

This association in the view of Ho et al. (2015) seems to be stronger in companies with high corporate risks. Thus, conservative practices of female managers can be expected with a view to reinforcing compliance with the Sarbanes-Oxley Act. The lack of accounting conservatism in financial reporting can have serious economic and accounting consequences for organizations (Ho et al., 2015). Companies with a governing body that has women are expected to exercise more caution in recognizing and measuring earnings and to recognize more good news than bad news, reducing the potential risk for companies (Francis et al., 2014).

With regard to nationality and accounting conservatism, Bamber et al. (2010) approach that the disclosure styles of the financial information of managers are associated with demographic characteristics observable from personal origins. The evidence found by the authors reveals that managers born before the Second World War develop styles of disclosure of accounting information, which exhibit conservative characteristics. Nationality is another demographic characteristic that can influence the accounting practices of the managers who make up the governing body.

Thus, the age, gender and nationality of managers can be relevant managerial characteristics, since the revisited studies suggest that the profile of managers is related to accounting practices and decision making. In other words, the more conservative there is in the practices developed by the entities, the fewer possibilities the managers of the governing body will have to increase their remuneration in the short term and the long term, aiming to improve their own benefits. In this way, there will be less imbalance in information and, the occurrence of lower agency costs for monitoring the actions of managers. From the evidence found in the literature, it is suggested that the demographic characteristics of managers are related to accounting conservatism. Therefore, the first research hypothesis was elaborated:

**H<sub>1</sub>:** There is a causal relationship between the demographic characteristics of managers (age, gender and nationality) and the accounting conservatism of Brazilian and French companies.

The next hypothesis of the study concerns the discussion on the characteristics of the professional profile (formation, place of formation, level of education and professional experience). For Smith et al. (2005), the positive effects of women in top management depend on the qualifications of these managers. Graham and Harvey (2001) found results that reveal that managers who have a Master of Business Administration (MBA) training course use more sophisticated accounting assessment techniques than those who do not have an MBA course, which may reflect on conservatism accounting. The findings of Bertrand and Schoar (2002) indicated that managers who have higher education and MBA follow more aggressive strategies, which converges with the findings of Bamber et al. (2010), as the authors found that the MBA courses tend to drive earnings expectations upward, but their accounting forecasts are more accurate.



Bamber et al. (2010) found that managers with a background in finance and accounting and professional experience, present more conservative accounting disclosures in underestimating future earnings. The authors point out that the styles of disclosure of financial information are related to the characteristics of the professional profile of managers. They found that managers with a background in finance and accounting tend to obtain more accurate accounting disclosures, which reveals that the degree of higher education, have an impact on accounting conservatism (Bamber et al., 2010).

Yunos et al. (2014) concluded that managers with professional experience in the financial area have a positive relationship with conservatism. In the view of Jensen and Zajac (2004), the functional areas of managers, such as marketing, accounting, legal area, affect their preferences, concerning accounting. Furthermore, empirical research confirms that managers seek strategies according to their professional experience (Jensen & Zajac, 2004).

Among the justifications for the relationship between the characteristics of the professional profile and accounting conservatism, it is noteworthy that managers with MBA tend to adopt more conservative accounting disclosure styles, as they guide them upwards, they are more accurate, and they present better forecasts and are more sensitive to the adverse consequences of inaccurate forecasts (Bamber et al., 2010). Professional experience can favor management styles that tend to the immediate disclosure of information and impartial to unfavorable information (Bamber et al., 2010). It is expected that the characteristics of the professional profile, affect accounting decision-making, more precisely accounting practices, and, among these, accounting conservatism. The second research hypothesis was developed:

**H<sub>2</sub>:** There is a causal relationship between the characteristics of the professional profile of managers (formation, place of formation, level of education and professional experience in the market) and the accounting conservatism of Brazilian and French companies.

Finally, the relationship between the characteristics of the position held in organizations by managers (link with the company, the position held and function/area of activity) is highlighted. According to Bertrand and Schoar (2002), the managers of the governing body are fundamental factors for determining corporate practices. Gallego-Álvarez et al. (2010) found that the diversity of the managers' profile (board members, the duality of the governing body, and the number of meetings) does not influence the economic-financial performance of companies. The authors suggest that this diversity can become a competitive advantage and a source of corporate value. On the other hand, it can impact accounting conservatism. Ge et al. (2011) point out that managers generally oversee the company's financial reporting process and, therefore, these managers are likely to have a direct impact on all senior management decisions related to company accounting. Ho et al. (2015) found evidence that the characteristics of managers (the position held and area of activity) have a positive relationship with accounting conservatism.

Carter et al. (2003) address positive points regarding the diversity of the governing body. Among these, they point out that a more diverse board of directors is capable of making decisions based on the evaluation of more precise alternatives, in comparison with a more homogeneous board. A heterogeneous governing body can have a better understanding of the market, which increases creativity and innovation. Diversity management can also improve the company's image and have positive effects on performance and for shareholders, which will also reflect in accounting practices. These arguments suggest that managers who hold a position in a homogeneous governing body may develop conservative accounting practices, with the least likelihood of issuing statements, for fear that these disclosures are inaccurate, ex-post. The third hypothesis analyzed in this research stands out:

**H<sub>3</sub>:** There is a causal relationship between the characteristics consistent with the position of managers (link to the company, the position held and function/area of activity) and the accounting conservatism of Brazilian and French companies.



Given the aforementioned context, one of the aspects of adequate corporate governance is the management of diversity (Smith et al., 2005). It is expected that demographic characteristics, the professional profile and the position held in the company, are related to the accounting conservatism practiced by Brazilian and French managers. These associations seek to reveal that the specific characteristics of managers capture systematic differences in the exclusive disclosure styles of managers (Bamber et al., 2010), such as, for example, accounting conservatism.

### 3 METHODOLOGY

This research is characterized as documentary, descriptive and with a quantitative approach to the data. The population comprised all Brazilian companies listed in Brazil, Bolsa, Balcão (B3) (506 companies) and all French companies listed on the Paris Stock Exchange (Euronext) (1.204 companies). The analysis period covered the years 2011 to 2015.

The sample consisted of the companies listed on the B3 IBrX-100 Index, in the case of Brazil, and the SBF 120 of Euronext Paris, for France. These indices were chosen, as the IBrX-100 is the indicator of the average performance of the quotations of the 100 assets with the greatest negotiability and representativeness of the Brazilian capital market (B3, 2019). SBF 120 is an index composed of the 120 most traded assets on the Paris Stock Exchange (Euronext Paris, 2019), which corresponds to the Brazilian index used. Due to the non-availability of data for some of the companies belonging to the selected indexes, the sample comprised the companies that presented the necessary information for the study, totaling 71 Brazilian companies and 67 French companies.

Studies have opted for the use of asset indexes most traded on the Stock Exchange, such as Rahman et al. (2010) and Francis et al. (2014). As these indices are represented by large-capitalization companies and a considerable volume of negotiations in the capital market, it provides a sample with important configurations. In addition, the aforementioned studies found consistent evidence, related to accounting conservatism, from a similar sample (companies listed in indexes), which also justifies the consideration of specific indexes in this research.

Data on the diversity of the profile of Brazilian and French managers were collected on the Zone Bourse website and directly on the companies' website. The collection of information about the profile of managers took place from August to September 2016. Accounting conservatism data were collected from the Thomson Reuters® database and refer to annual information for the years analyzed. For the analysis of accounting conservatism (dependent variable), the model metric developed by Ball and Shivakumar (2005) was used. Table 1 shows the independent variables used in the study, which comprise demographic characteristics, the professional profile and the position held by managers in the companies in which they operate.



**Table 1 - Independent variables used in the study**

Charac.	Variables	Measurement	Author (year)
Demographic	Age	Under 50, 0 was assigned. Above 51 years old, 1 was assigned.	Bamber et al. (2010); Shen et al. (2010); Hafsi and Turgut (2013).
	Genre	Female, 0 was assigned. Male, 1 was assigned.	Hafsi and Turgut (2013); Francis et al. (2014); Ho et al. (2015); Haynes (2016).
	Nationality	Native, 0 was assigned, otherwise 1.	Frijns et al. (2016).
Professional Profile	Formation	Business area was assigned 0. Engineering has been assigned 1. Legal, 2 were assigned. Technology, it was assigned 3. Health was assigned 4. Other areas were assigned 5.	Benschop and Meihuizen (2002); Shen et al. (2010); Bamber et al. (2010); Haynes (2016); Frijns et al. (2016).
	Place of Formation	Within the country, 0 was assigned. Outside the country, 1. Mixed, 2 are assigned.	Jackson et al. (1995).
	Education level	Graduation, 0 was assigned. Specialization, 1 was assigned. Master, 2. Doctorate, 3.	Bertrand and Schoar (2002); Smith et al. (2005); Shen et al. (2010);
	Professional experience in the market	Under 30, 0 was assigned. Above 31 years old, 1 was assigned.	Bamber et al. (2010); Hafsi and Turgut (2013); Yunos et al. (2014); Perryman et al. (2016).
Office	Link with the company (time)	Up to 30 years, 0 was assigned. Above 30, 1 was assigned.	Shen et al. (2010); Hafsi and Turgut (2013).
	Position (Governing Body)	CEO, assigned 0 President, 1 was assigned. Vice-president assigned 2. Director, it was assigned 3. Independent member, 4 were assigned. Other positions were assigned 5.	Gallego-Álvarez et al. (2010); Ho et al. (2015).
	Function (Area)	Controllershship, 0 was assigned. Administrative, 1 Financial, 2 was assigned. Legal, 3 were assigned. Marketing, it was attributed 4. Information Technology, 5. Other areas were assigned 6.	Ho et al. (2015).

Charac: Characteristics.

Source: Prepared by the authors.

The original model developed by Ball and Shivakumar (2005), uses the following equation to measure accounting conservatism (Equation 1):

$$\Delta NI_{it} = \alpha_0 + \alpha_1 D\Delta NI_{it-1} + \alpha_2 \Delta NI_{t-1} + \alpha_3 \Delta NI_{t-1} \times \Delta NI_{t-1} + \varepsilon_t$$

$\Delta NI_{it}$  represents the change in net book profit of company i from year t-1 to t weighted by the value of total assets at the beginning of year t;

$\Delta NI_{it-1}$  represents the change in net book profit of company i from year t-2 to t-1 weighted by the total asset value at the beginning of year t-1;

$D\Delta NI_{t-1}$  it is a dummy variable to indicate whether there is a negative variation in the net book profit of company i from year t-1 to year t, assuming a value of 1 if  $\Delta NI_{it} < 0$ , and 0 in other cases;

$\varepsilon_{it}$  means the regression error.





The statistical method of Multiple Linear Regression was used with the support of the statistical software SPSS®, to operationalize Equation 1 and 2. The value obtained from Equation 1 was used in Equation 2 (dependent variable), as conservatism was calculated using the original model of Ball and Shivakumar (2005). To identify the level of conservatism of each company, the value of the  $\beta_3$  of the regression (Equation 1) was analyzed to later relate to the variables of the profile of the managers (Equation 2). The regression model for this research can be defined as follows (Equation 2):

$$\text{Accounting conservatism} = \beta + \beta_1 \text{Age} + \beta_2 \text{Gender} + \beta_3 \text{Nationality} + \beta_4 \text{Formation} + \beta_5 \text{Place of Formation} + \beta_6 \text{Education level} + \beta_7 \text{Professional experience in the market} + \beta_8 \text{Link with the company} + \beta_9 \text{Position} + \beta_{10} \text{Function} + \varepsilon$$

## 4 ANALYSES AND DISCUSSION OF RESULTS

This section presents the analysis of the results found in the present research. Initially, the normality test is evidenced, later, the Spearman Correlation for the variables of Brazil and France. Finally, Multiple Linear Regression was performed.

Before performing the regression analysis, the study sought to test the normality of the variables using the K-S Test (Kolmogorov-Smirnov). From this test, the distribution of data for both countries was not normal. Thus, Spearman's Correlation was performed to identify the intensity and relationship that exists between the variables and the possible multicollinearity problems. Table 2 shows the results of the Spearman Correlation for Brazil.

Table 2 - Spearman correlation between variables – Brazil

Variables	Cons.	Age	Genre	Nacio.	Form.	PF	EL	PE	LC	Position	Function
Conservatism	1	-0.14*	-0.11	-0.11	0.06	0.07	0.00	-0.12	-0.10	-0.21	0.15
Age		1	0.20	0.04	0.05	-0.06	0.00	0.64**	0.21	0.13	-0.22
Genre			1	-0.11	0.05	0.22	0.17	-0.06	-0.08	-0.28*	-0.16
Nationality				1	0.03	0.27*	-0.06	-0.00	-0.28*	0.07	-0.04
Formation					1	-0.06	0.29*	0.10	-0.18	0.01	0.05
Place of formation						1	0.46	-0.10	-0.14	-0.11	-0.07
Education level							1	-0.02	-0.14	-0.09	-0.16
Prof. experience								1	0.17	0.06	-0.24*
Link company									1	0.07	-0.11
Position										1	-0.03
Function											1

Cons.: Conservatism; Nac.: Nationality; Form.: Formation; PF: Place of formation; EL: Education level; PE: Professional experience in the Market; LC: Link with the company.

\*\* The correlation is significant at the 1% level. \* The correlation is significant at the 5% level.

Source: Research data.

According to Table 2, there is a relationship between the dependent variable (accounting conservatism) and the independent variables. However, this relationship was only obtained for the variable related to the age of managers who make up the board of directors of Brazilian companies (-0.14). This result reveals that, in the Brazilian sample, younger managers tend to be less conservative. In the correlation of independent variables, age is positively and moderately related to professional experience (0.64).



The gender variable correlated only with the position held by the managers, but in a negative (-0.28) and weak way, which presupposes, for example, that the position held by the CEO can be both female and male. Regarding the nationality variable, this was correlated, with two characteristics of the managers' profile: the place of formation (0.27) and the link with the company (-0.28). The formation of managers showed a weak relationship with the level of education (0.29), this being from the level of Graduation to the Doctorate of the Brazilian managers analyzed. Another variable that stood out, among the demographic characteristics of the professional profile and position, was the variable professional experience, which was weakly correlated with the function exercised by managers in companies (-0.24). This result corroborates the profile of publicly traded corporations in Brazil, since the position of CEO is normally held by more experienced professionals.

Table 3 presents the results of Spearman's Correlation for the French context.

**Table 3 - Spearman correlation between variables - France**

Variables	Cons.	Age	Genre	Natio.	Form.	PF	EL	PE	LC	Position	Function
Conservatism	1	-0.04	0.15	-0.13	0.04	-0.08	0.08*	-0.09	0.00	-0.00	0.03
Age		1	0.14	0.10	0.06	0.16	0.17	0.39**	-0.06	0.07	0.18
Genre			1	-0.34**	0.09	0.05	0.05	-0.15	0.08	-0.28*	0.08
Nationality				1	0.03	0.49**	0.29*	0.16	-0.14	0.05	-0.07
Formation					1	0.32**	0.34**	-0.22	0.08	0.08	0.18
Place of formation						1	0.63**	-0.15	-0.09	-0.09	0.02
Education level							1	-0.08	-0.16	-0.08	0.21
Prof. experience								1	-0.12	0.26*	0.01
Link company									1	-0.00	0.21
Position										1	0.08
Function											1

Cons.: Conservatism; Nat.: Nationality; Form.: Formation; PF: Place of formation; EL: Education level; PE: Professional experience in the Market; LC: Link with the company.

\*\* The correlation is significant at the 1% level. \* The correlation is significant at the 5% level.

Source: Research data.

It is noted that the correlation between the characteristics of the profile of managers of companies in France with accounting conservatism differs from the scenario obtained in Brazil. However, the independent variables are related to the dependent variable. Initially, it is highlighted that conservatism has a weak relationship with the level of education of the governing body (0.08), which indicates that the higher the level of education, the greater the accounting conservatism.

Given this result, Watts (1993) points out that there are several reasons why accounting is less conservative. First, accounting numbers are not published when agency costs are reduced. Second, information is shared across the enterprise and there is less concern for protected information, so information asymmetry is likely to be reduced. However, in the author's view, the problem lies in the fact that the manager being evaluated has the best information on future cash flows, being an opportunity for conservatism in accounting. From the observation of the author, it can be seen that the level of education increases the information held by managers and, consequently, they can use this for the occurrence of accounting conservatism in companies.

For the variable age, in France, the same scenario was obtained in Brazil, that is, age was weakly correlated with the experience of the governing body (0.39). Gender was weakly and negatively related to nationality (-0.34) and the position held by managers (-0.28). Nationality and forma-



tion were correlated, with the following characteristics of the governing body profile: the place of formation (0.49 - moderate) and (0.32 - low) and level of education (0.29 - low) and (0.34 - low) respectively, which indicates that nationality and formation influence where managers studied and how much they continued with the formation after graduation. The variable place of formation showed a moderate correlation only with the level of education (0.63). This result can be explained by the fact that the directors have formation in the so-called “Grands Écoles de Commerce” in France, such as HEC Paris and Université Paris Dauphine, besides that, as observed in the data collected, many have completed postgraduate studies abroad, especially in Harvard. Finally, there is also the variable professional experience that was lowly related to the position of managers in French companies.

As observed in the Brazilian companies that make up the IBrX 100 portfolio, French companies belonging to the SBF 120 Index, also showed a relationship between the characteristics of the managers’ profile and accounting conservatism. It was found that the diversity of the managers’ profile, as a lever for creating value for Brazilian and French companies, is related to accounting conservatism. However, this statement can only be confirmed through the analysis of Multiple Linear Regression.

Table 4 presents the results of the regression for Brazil and France.

**Table 4 - Results of the Multiple Linear Regression model, Brazil and France**

Characteristics	Variables	Brazil		France	
		Accounting Conservatism		Accounting Conservatism	
		Coefficient	Significance	Coefficient	Significance
Demographic	Age	28.474	0.057*	-1.741	0.715
	Genre	-28.019	0.366	3.098	0.505
	Nationality	9.242	0.610	1.199	0.766
Professional Profile	Formation	-11.441	0.346	-1.020	0.496
	Place of formation	27.980	0.074*	0.483	0.899
	Education level	-0.542	0.982	6.592	0.003*
	Professional experience	5.602	0.624	2.292	0.515
Office	Link with the company	13.520	0.393	-14.868	0.041*
	Position	87.338	0.043**	0.983	0.448
	Function	40.130	0.334	3.038	0.099**
<b>R<sup>2</sup> square</b>		0.170		0.321	
<b>R<sup>2</sup> square adjusted</b>		0.032		0.200	
<b>Durbin-Watson</b>		1.797		2.019	
<b>ANOVA</b>		0.029		0.010	

\*\* Significance at the 5% level. \* Significance at the 10% level.

Source: Research data.

The determination coefficient ( $R^2$ ) serves as a measure of how much the variability of the output can be charged to the predictors (Fávero, 2015), showing a value of 0.170 for the characteristics of the governing body profile and accounting conservatism in Brazil and 0.321 for France. These results reveal that the independent variables (characteristics of the managers’ profile) are responsible for 17% of the variation of accounting conservatism in Brazil and 32.1% of the variation of conservatism in France.

The adjusted  $R^2$ , on the other hand, indicates a notion of how much the model generalizes the results and the closer to the value of  $R^2$  the greater the explanatory power of the model (Fávero, 2015). From the results, it can be seen that the adjusted  $R^2$  was closer to the  $R^2$  in the French case, which reveals that the explanatory power of the French model is more significant than the Brazilian.



Studies developed in the accounting area on the themes analyzed in this research, also found a low explanatory power, when considering the characteristics of the governing body and accounting conservatism, such as, the studies of Rahman et al. (2010) and Francis et al. (2014), which justifies the results obtained in this study that considers Brazilian and French companies.

From what is shown in Table 4, initially, the results found for the demographic characteristics (age, gender and nationality) and their causal relationship with accounting conservatism for Brazil and France are presented. Regarding demographic variables, it can be seen, according to Table 4, that only the variable age had a significant and positive causal relationship with the accounting conservatism of Brazilian companies. In French companies, it was found that none of the demographic variables had a causal relationship with accounting conservatism.

This result presents indications that when the age of managers of Brazilian companies is older, they will be more conservative in face of accounting practices. However, contrary to the result obtained in the present research, younger managers can also add to accounting, because according to Jackson et al. (1995), the diversity of attitudes and values facilitates the creativity of the group, as teams composed of members of different ages must be more innovative and the inclusion of younger members in the board of directors adds new points of view to the team and promotes innovation strategy (Barkema & Shvyrkov, 2007).

This result allows us to accept the hypothesis  $H_1$  that there is a causal relationship between the demographic characteristics of managers (age) and the accounting conservatism of Brazilian companies. On the other hand, the  $H_1$  hypothesis for French companies is rejected. This result found for the Brazilian scenario corroborates the studies by Bertrand and Schoar (2002), Bamber et al. (2010), Jiang et al. (2010) and Ge et al. (2011), as the findings revealed that older managers have more conservative accounting disclosures. This result indicates that older managers, develop more conservative accounting practices over time (Bamber et al., 2010), that is, older managers do not anticipate any profit in their accounting decisions, but rather, anticipate all losses (Basu, 1997). Thus, it depends on the action of the managers of the board of directors in recognizing, asymmetrically or not, profits and losses due to their experience with the company, which denotes that demographic characteristics are relevant to be analyzed in the context of accounting conservatism.

Regarding the characteristics of the professional profile analyzed (formation, place of formation, level of education and professional experience); the findings revealed that the place of the formation of managers was significant, and positively related to the accounting conservatism of Brazilian companies. This fact indicates that the formation of Brazilian managers, outside of Brazil and even mixed (Brazil and abroad) has a causal relationship with the accounting conservatism of Brazilian companies. It is noted that this result confirms the statement of Jackson et al. (1995), as the authors emphasize that studies related to the diversity of the profile of managers must analyze not only demographic aspects but also the formation of the governing body and the place of this formation, as diversity can lead to different consequences in decision making.

In companies in France, it was found that the level of education had a positive and significant relationship with accounting conservatism. From this, it can be inferred that managers who have a higher degree, as is the case with specialization, master's and doctorate, can adopt accounting conservatism practices in companies. Therefore, it is confirmed the research hypothesis  $H_2$  for both analyzed countries, since there was a positive and significant causal relationship between the characteristic of the profile of the place governing body of formation for Brazil and the level of education for France, with the accounting conservatism.

It is noted that in the French scenario the qualifications of managers are taken into consideration (Smith et al., 2005). These findings corroborate the results obtained by Graham and Harvey (2001), Bertrand and Schoar (2002) and Bamber et al. (2010), as these authors also found that the level



of education affects accounting practices. The results of Graham and Harvey (2001) revealed that managers with an MBA course, use more advanced accounting techniques, which consequently reflects in accounting conservatism. The research by Bertrand and Schoar (2002) found evidence to suggest that managers with MBA tend to underestimate profits and their accounting forecasts are more accurate, so they practice accounting conservatism in financial reporting. Therefore, the level of education of managers, allows them to be more precise in their accounting decisions and later, more sensitive to the adverse consequences of inaccurate forecasts, which reveals that the level of education is an important factor in the face of the accounting practices used by managers in companies listed on Euronext.

With regard to the characteristics of the position (link with the company, position held in the governing body and function/area of activity), in the Brazilian scenario, the variable position held by the governing body stands out, since it presented a significant and positive causal relationship with accounting conservatism. This finding leads to the supposition that the following positions: CEO, President, Vice President, Director, Independent Director and other positions, influence the accounting conservatism of Brazilian companies. The results corroborate the findings of Ho et al. (2015), as they identified that the characteristic of the position held by managers in the board of directors has a positive relationship with accounting conservatism.

This positive relationship found, for this characteristic of the governing body, differs from the results evidenced by Gallego-Álvarez et al. (2010), since they indicated that the characteristic of the diversity of the managers' profile and the position held does not influence the economic-financial performance of Spanish companies, thus not reflecting on accounting conservatism. In view of this result, Carter et al. (2003) emphasize that managers who occupy positions in a homogeneous governing body, use conservative accounting practices, that is, accounting policies that result in the bias of reducing the net book value, compared to the economic net worth of the company (Ruch & Taylor, 2015).

In the French context, different results were obtained in Brazil concerning the characteristics that comprise the position, since the variables link with the company and function/area of activity showed a positive and significant causal relationship with accounting conservatism. The result evidenced by the variable link with the company indicates that managers with a smaller link with the companies have more conservative accounting practices. This result is in line with the findings of García Lara and Mora (2004), as this study revealed that France has conservative practices and, according to Gonzaga and Costa (2009), conservatism has a relevant function in the contractual structure of companies. The results for the variable function/area of activity reveal that the areas of activity: Controllership, Administrative, Financial, Legal, Marketing, Information Technology and other areas, contribute to the occurrence of accounting conservatism in companies in France listed in the SBF index 120 from Euronext Paris.

Such results corroborate with the study developed by Ho et al. (2015), as they found evidence that the characteristics of managers, such as function (area of activity) showed a positive relationship with accounting conservatism. These results are also similar to the findings of Jensen and Zajac (2004) and Yunos et al. (2014). According to Jensen and Zajac (2004), the function occupied by managers in organizations, such as marketing, accounting, legal area, affects their preferences regarding accounting, as well as accounting conservatism. In the research by Yunos et al. (2014), managers with professional experience in the financial area and active in the financial function, present conservative practices in the organizations in which they work.

Given these results for the characteristics of the position, hypothesis  $H_3$  is confirmed for both countries, since there was a causal relationship between the characteristics related to the position of managers and the accounting conservatism of Brazilian companies (the position held in the governing body) and French companies (link with the company and function/area of activity).



As for the results for the French scenario, it is noteworthy that none of the characteristics of the management body of companies in Brazil that had a causal relationship with accounting conservatism (age, place of formation and position), were the same found in the French context, since in France, the following variables: education level, link with the company and function/area of activity were those that showed a causal relationship with accounting conservatism. This difference can be explained according to the view of Rahman et al. (2010), since the authors emphasize that France has a more conservative approach to regulate accounting activities when compared to the Brazilian scenario. In addition, the Brazilian and French cultural traits differ to some extent as explained in the justifications of the work, and this difference can also be explained according to the European (dominant) versus dominated formation or personality, in this case, South America (Ball et al., 2000; Rahman et al., 2010; OECD, 2016).

In addition, it is noteworthy that some characteristics of the French board of directors were not related to the dependent variable (accounting conservatism), such as Age, Gender, Nationality, Formation, Place of Formation, Professional Experience, and Position held in the company. In Brazilian companies, the following variables were found: Gender, Nationality, Formation, Education level, and Professional experience, Link with the company and Function/Area of activity.

It is noted that professional experience was not related to accounting conservatism in both countries analyzed, different from previous studies carried out on the theme, such as Subeliani and Tsogas (2005), which found results that diversity management helps organizations to perform better in the face of individuals' values and experiences. Studies by Bamber et al. (2010) and Yunos et al. (2014) revealed that managers with professional experience have more conservative accounting disclosures in underestimating future earnings. In addition, the evidence by Jensen and Zajac (2004) could not be verified, as the authors approach that managers seek strategies according to their professional experience. This fact cannot be confirmed for the Brazilian and French scenario, since the professional experience was not related to accounting conservatism.

Another characteristic analyzed in several studies, but which in the present study did not present a relationship is gender. The research developed by Benschop and Meihuizen (2002), Carter et al. (2003), Smith et al. (2005), Ho et al. (2015), Perryman et al. (2016) and Khaw et al. (2016) does not corroborate the findings, as they highlight that among demographic characteristics, gender presents important contributions to the accounting area, which reflects in the quality of accounting information. Still, the research developed by Francis et al. (2014) and Duong and Evans (2016) demonstrated that female managers are more conservative and offer a higher quality of accounting information. The results of Carter et al. (2003) revealed a positive effect on the percentage of women on the board and the value of the company.

The findings of Perryman et al. (2016) and Khaw et al. (2016) indicated that greater gender diversity presents a lower corporate risk, which consequently impacts the quality of accounting information, highlighting one of the metrics used in this research, accounting conservatism. This fact cannot be confirmed in the present research, since the gender demographic characteristic of the managers of the governing body has not been related to the accounting conservatism of Brazilian and French companies. The statements by Khaw et al. (2016) have not been confirmed; as they highlight that through gender diversity it is possible to alleviate excess corporate risk behaviors. Among the explanations for this relationship not being confirmed, the arguments of Ho et al. (2015) are interesting. The authors point out that the gender of managers is related to accounting practices in companies with high corporate risks, a factor that stimulates the development of new studies based on this theme proposed in this research.

It is noteworthy that the formation of managers also had no impact on the accounting conservatism of Brazilian and French companies. However, studies by Bertrand and Schoar (2002) and Smith et al. (2005) revealed that managers with higher education follow more aggressive strategies and the



formation is related to the performance of companies. It should be noted that the research by Bamber et al. (2010) revealed that managers with a formation in finance and accounting have more conservative accounting disclosures. However, this evidence could not be verified in the studied context.

Given the results and the discussions presented, it is noted that conservative accounting is considered an effective response to the asymmetry of information existing in organizations, which indicates the relevance of conservative accounting practices and their relationship with the diversity of the profile of Brazilian managers and French. The more conservative there is in the accounting practices developed by the managers, the fewer possibilities they will have to increase their own benefits, as the board presents diversity in the profile of the managers. With a governing body with diversity in the profile, consequently, there will be less imbalance of information and fewer costs for companies to monitor the actions of managers involved in financial and accounting decisions.

Table 5 presents a summary of the results of the research hypotheses for both countries.

**Table 5 - Summary of the results of the research hypotheses, Brazil and France**

Hypotheses	Results	
	Brazil	France
H <sub>1</sub> : There is a causal relationship between the demographic characteristics of managers (age, gender and nationality) and the accounting conservatism of Brazilian and French companies.	Confirmed	Rejected
H <sub>2</sub> : There is a causal relationship between the characteristics of the professional profile of managers (formation, place of formation, level of education and professional experience in the market) and the accounting conservatism of Brazilian and French companies.	Confirmed	Confirmed
H <sub>3</sub> : There is a causal relationship between the characteristics consistent with the position of managers (link to the company, the position held and function/area of activity) and the accounting conservatism of Brazilian and French companies.	Confirmed	Confirmed

Source: Research data.

The importance of diversity in the profile of managers who work in the management of companies is emphasized, as their characteristics influence accounting practices related to accounting conservatism. These results are consistent with the notion that conservatism assists managers in reducing agency costs (Ahmed & Duellman, 2007), reduces the ability to manipulate accounting numbers, makes it possible to decrease information asymmetry, which provides for increases in value companies (Watts, 1993; Basu, 1997; García Lara & Mora, 2004; Lafond & Watts, 2007).

Corroborating, Saboly (2003) points out that accounting conservatism is related to the profile of individuals and because of accounting, diversity can have impacts on the development of information by managers. Given the above, Francis et al. (2014) emphasize that the profile of managers can affect accounting practices, with the cultural diversity of managers being an important factor to minimize the problems of agency and information asymmetry. According to Jensen and Meckling (1976), cultural diversity can impact the relationship between individuals, as it allows to minimize conflicts of interest and information asymmetry, accounting conservatism being a potential mechanism to resolve such conflicts (Lafond & Roychowdhury, 2008). It is relevant to consider the profile of managers, as a determinant of companies' financial results (Habib & Hossain, 2013).

The different results obtained for Brazilian and French companies, given the themes analyzed, reveals that in Brazil what determines conservative accounting practices is the age of the governing body, its place of formation and the position held in the governing body. In French companies, on the other hand, the determining factors for the occurrence of practices focused on accounting conservatism are related to the level of education of the governing body, link with the company and



the function performed/area of activity. Such determinants may be linked to the culture of each country, the way in which companies conduct their work in the governing body, among other factors linked to the maximization of company profits.

## 5 FINAL CONSIDERATIONS

This study verified, among a set of characteristics that make up the diversity of the profile of managers, as a lever for creating value in companies, if these characteristics are related to the accounting conservatism of Brazilian and French companies. It is noteworthy that this is the first study that provides evidence that the characteristics of the profile of the main managers play an important role in the face of the accounting conservatism and financial information of organizations, as it presents reflexes in decision making.

It was found that among the explanatory variables established, for the Brazilian context, the age of the manager, the place of formation, and the position of performance are related to accounting conservatism practices and have an influence on the occurrence of managers being conservative in face of accounting practices. From the results obtained for Brazil, it was possible to verify that demographic characteristics (age), professional profile (place of formation) and the position of managers (position of actuation) are related to the accounting conservatism of Brazilian companies.

However, comparing Brazil with France, there were some differences, since in the French companies analyzed, the characteristics of the diversity of the profile of the governing body that was related to accounting conservatism were the level of education, link with the company and the function performed by the manager. In turn, it was found that demographic characteristics (age, gender and nationality) were not related to the accounting conservatism of French companies. In France, the fact that companies have more and less experienced managers (age), male or female, and of the same or different nationalities in their management body, will not impact on accounting conservatism, that is, these characteristics will not determine the asymmetry (imbalance) in the recognition of good news (gains) and bad news (losses), which depends on an action by managers to recognize, in advance or not, losses.

In view of the above, it is concluded that the characteristics of the diversity of the managers' profile (age, place of formation, position of work (Brazil), level of education, link and the function performed in the company (France)) are related to conservatism accounting adopted in the analyzed companies. To this end, the diversity of the profile of the board of directors can minimize the accounting practices aimed at the managers' own interests and, yes, maximize the interest of all stakeholders in the company.

The results reveal the importance of strategic management in companies, which involves the diversity of the profile of managers (characteristic of the profile of managers), since this issue influences accounting conservatism. It turns out that the diversity of the group of managers impacts accounting, as it refers to company policies. The leverage item is considered a mechanism to leverage control so that accounting practices are used in order to maximize the company's value (Simons, 1990; Rangéon, 2004).

It should also be noted that the findings are related to the statements of Gallego-Álvarez et al. (2010) and Haynes (2016). The authors point out that the characteristics of the managers' profile are related to accounting, which provides support for decision-making in companies and diversity can become a competitive advantage and source of corporate value. These findings strengthen the empirical validity of the study, as it appears that the diversity of management is, to a certain extent, a predictive factor of the level of accounting conservatism practiced by organizations.





This research contributes to the accounting literature, as it highlights the benefits of the diversity of the profile of managers in defending the integrity of the financial information of Brazilian and French companies. From a practical perspective, the evidence on the relationship between the characteristics of the managers' profile and accounting conservatism can help users of accounting information to evaluate the disclosure choices made by the managers who make up the governing body of organizations. Finally, from the results found, companies can start to select managers with better management styles (Bertrand & Schoar, 2002) since the board of directors presented positive evidence in accounting practices.

The limitations of the study consist in the impossibility of generalizing the results, since only information from managers working in companies belonging to specific indexes in the stock market were analyzed, such as the IBrX-100 index of B3 do Brasil and SBF 120 index of Euronext Paris, corresponding to France in the period from 2011 to 2015. It is suggested for future work that the study sample be expanded or altered. It is also recommended to consider other variables regarding the profile of managers.

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### Contribution of authors

Contribution	[Author 1]	[Author 2]	[Author 3]
1. Definition of research problem	√	√	√
2. Development of hypotheses or research questions (empirical studies)	√	√	√
3. Development of theoretical propositions (theoretical work)			
4. Theoretical foundation/Literature review	√	√	
5. Definition of methodological procedures	√	√	
6. Data collection	√	√	
7. Statistical analysis	√	√	
8. Analysis and interpretation of data	√	√	
9. Critical revision of the manuscript	√	√	√
10. Manuscript writing	√	√	
11. Other (please specify)			

#### **Conflict of Interest**

*The authors have stated that there is no conflict of interest.*

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