Board chairman characteristics and impression management: an empirical investigation. Further analysis

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Abstract

Purpose – *The purpose of this study is to look at the structure of the interactions between the board of directors' chairman qualities such as chairman independence, tenure, ethnicity, age- and impression management (IM).*

Design/methodology/approach – *The research population consists of non-financial Malaysian companies listed on Bursa Malaysia's Main Market, using data gathered via annual reports and DataStream. The study relies on the ordinary least square regression to test the direct relationships between the directors' chairman characteristics and IM. Moreover, robustness and sensitivity tests were used to examine the effectiveness of chairman characteristics with IM. Furthermore, the results rely on the FGLS regression as an additional test. The study found that chairman independence, chairman ethnicity and chairman age have a significant impact on IM.*

Findings – *The results reveal that chairman independence has a negative association with qualitative IM (IMSC1). Moreover, chairman ethnicity has a positively significant relationship with qualitative IM (IMSC1) and quantitative IM (IMSC2). Also, the effectiveness of chairman characteristics has a negative and significant association with IMSC1.*

Originality/value – *The primary goal of this paper is to fill a gap in the literature and to open up opportunities for more in-depth research on the subject. So far, there has been no research into the impact of the board chairman's (BC) personality on IM. This study serves as a warning to policymakers, businesses and their stakeholders, as well as researchers, about the importance of BC characteristics, which may impede the effectiveness of corporate governance mechanisms. The paper provides a framework for investigating these characteristics in the context of IM.*

Keywords *Chairman independence, Chairman tenure, Chairman ethnicity, Chairman age, Impression management*

Paper type *Research paper*

1. Introduction

One of the most important forms of disclosure is the annual financial report, which is regarded as a source of information for outside consumers and is published by businesses (Botosan, 1997). Investor confidence in corporate disclosure and management practices was undermined as a result of certain major firms' financial failures, such as Enron and WorldCom, as well as other Asian corporations (Hasnan *et al.*, 2013; Johari *et al.*, 2009; Norwani *et al.*, 2011).

Previous financial reporting quality (FRQ) research primarily focused on earnings management (EM) (Merkl-Davies, 2007). Firms may, however, use a less obvious means of influencing outsiders' perceptions of their performance and prospects, such as changing the appearance and substance of the narrative annual report sections to deceive readers' perceptions of corporate accomplishments (Godfrey *et al.*, 2003).

The failure of high-profile businesses has brought global attention to the need for corporate governance reforms (Norwani *et al.*, 2011). The board of directors (BOD), audit committee (AC), management and auditors have all been severely investigated in corporate governance bodies (Norwani *et al.*, 2011). The impact of corporate governance on earnings quality (EQ) and EM was studied in Malaysia (Abdullah, 1999; Saleh *et al.*, 2005, 2007; Hashim and Devi, 2008; Ismail *et al.*, 2010; Johl *et al.*, 2013). Few studies, however, focused on the critical role of the board chairman (BC) and its impact on earnings quality and EM. Furthermore, fewer studies looked into the impact of the BC on impression management (IM henceforth).

As a result, the purpose of this research is to examine the link between the BC's traits and IM. Indeed, the chairman is the most important member of the BOD. They play a critical role in the board's decision-making and in enhancing corporate governance. As in the instance of the Malaysian corporation Sime Darby, senior management (ostensibly the Chairman) has a considerable influence on EM and its effect on the percentage of FRQ that might affect investors' trust (*The Star*, May 14, 2010). The actions of two former Transmile Group Bhd independent directors, who supplied Bursa Malaysia with a deceptive statement, further shook investors' confidence (Hashim, 2009; Wan-Abdullah *et al.*, 2012; Al-Absy, 2020).

Non-financial businesses registered on Bursa Malaysia's capital market during 2017 and 2018 make up the sample of this research. The random sample approach was used to get the sampling data. Bursa Malaysia's 11 separate sectors were used to pick the sample companies, and the sample data is representative of all the sectors (Ahmad, 2016; Salleh and Bin, 2009). There are 934 businesses listed on the Bursa Malaysia (total number of companies registered in Bursa Malaysia at the end of December 2018). Based on random selection techniques, the study's recommended sample size was 274 businesses (Krejcie and Morgan, 1970; Sekaran and Bougie, 2016). We picked the 134 firms that include the chairman statement in their annual report and rejected 140 companies that do not. In all, 268 companies listed on Bursa Malaysia in the years 2017 and 2018 were observed.

The main cause of these conflicts is management's failure to perform their responsibility of increasing the firm's value and preserving the shareholders' interests. As a result, management frequently conceals actual performance to deceive stakeholders by claiming that company performance is consistent and predictable when it is not. This motivates executives to disclose fictitious financial statistics or commit fraud (Abdul-Rahman and Ali, 2006; Kazemian and Sanusi, 2015). As a result, financial scandals provide a stark example of how corporate governance mistakes may devastate businesses (Rezaee, 2005). This backs up Nam and Nam's (2004) claim that corporate governance failure was the root of the 1997 Asian financial crisis.

All of these characteristics may have a substantial impact on the BC's appointment and function in monitoring and regulating the firm's operations. Importantly, corporate directors in Malaysia found it difficult to express views that may conflict with those of the majority shareholders, particularly when their views differ from those of the CEO or chairman (Satkunasingam *et al.*, 2012).

Overall, this research makes a major contribution to the corpus of knowledge in a variety of ways. To begin with, this study used agency and signaling theories to understand the relationship between corporate governance mechanisms – specifically the BC – and IM in the Malaysian context. Second, the present paper aids in comprehending the issue of IM, particularly in the context of Malaysia, where it is argued that corporate governance is ineffective due to the power of controlling owners (Abdul Rahman and Ali, 2006; Abdullah and Nasir, 2004; Park and Shin, 2004). Finally, analyzing prior studies on the BC could add to the literature. To the best of the researchers' knowledge, no study has looked at the effects of BC on IM.

2. Impression management: theoretical approach

Every business has a conflict of interest between the management and the owners. According to the agency theory, managers have more knowledge about businesses than owners, making it harder for the principal to effectively evaluate whether the agent is serving their interests. The agents' hiding of facts or actions for their own self-serving motivations is blamed for the genesis of agency difficulties. This motivates principals to spend on monitoring and paying managers so that their interests are aligned with those of the principals'. In addition to agency theory, signaling theory offers a framework for understanding how two parties (an agent and a principal) cope with information asymmetry in a contractual transaction or relationship (Spence, 1973). According to Connelly *et al.* (2011), signaling theory is useful for defining the behavior of two parties (organizations or people) with differing knowledge. Strategic signaling is used by businesses and people to affect the behavior of a wide range of stakeholders, including suppliers, rivals, investment analysts, consumers, workers, investors and partners (Zmud *et al.*, 2010).

Managers may use IM to deceive users about the firm's performance. Indeed, IM is a strategy used by a company to maintain a positive public image. IM tactics are commonly used by executive managers to conceal genuine economic and financial facts about their companies, which can influence the accuracy of financial reporting and, as a result, deceive shareholders. IM is a social psychology concept that examines how people present themselves to others to be perceived favorably (Hooghiemstra, 2000). IM is defined by Clatworthy and Jones (2006) and Merkl-Davies and Brennan (2007) as an attempt to regulate and manage the image that accounting information users get. It can be understood in a number of ways, such as a manager's reasonable attempt to influence the financial decisions of financial statement readers, or as a social phenomenon linked to self-presentation and accountability (Merkl-Davies *et al.*, 2011).

According to agency and signaling theories, the conflict of interests between owners and managers compelled the formation of governance rules to control the actions of managers in organizations (Ismail *et al.*, 2010). According to Yue-Duan *et al.* (2007), regulators and information intermediaries have made significant efforts to strengthen corporate governance to protect investors' rights and improve information transparency, thereby reducing the emergence of negative selection and agency problems caused by information inconsistency. Previous research has fully explored the influence of corporate governance procedures on improving FRQ. There is, however, no evidence of a relationship between corporate governance mechanisms and impression control (Ingram and Frazier, 1983; Abrahamson and Park, 1994; Lewellen *et al.*, 1996; Mather and Ramsay, 2007; Osma and Guillamón-Saorín, 2011; Al-Sayani *et al.*, 2020).

Discretionary disclosure, according to Ingram and Frazier (1983), is dependent on the disparities in management and owner objectives, as well as the extent of management control over the organization. Performance comparison manipulation approaches are the topic of Lewellen *et al.* (1996). These authors' findings reveal that there is a bias in reported benchmark industry and peer group stock returns, with the magnitude of bias being lower for highly concentrated and management-owned businesses. Unfavorable findings are buried in the chairman's narratives and communications, according to Abrahamson and Park (1994). The findings, however, are difficult to interpret: the concentration of ownership has minimal effect on concealment. On the other hand, small institutional investors and outside directors who are also shareholders appear to favor concealment, whilst outside directors – who are also shareholders – appear to prevent it. The authors recommend that more studies be done to better understand the role of ownership structure (OS) based on their findings.

The significance of a robust corporate governance system in decreasing opportunistic disclosure practices is investigated by Mather and Ramsay (2007) and Osma and Guillamón-Saorín (2011). Mather and Ramsay (2007) examined graph selectivity methods in

annual report disclosure when a company's CEO changes. Similarly, Osma and Guillamón-Saorín (2011) looked at narratives in press releases from Spanish companies and discovered that robust governance frameworks decrease the influence of IM-compatible detection procedures. The Big 4 have a significant impact on IM performance, as demonstrated by Dunne *et al.* (2021). According to Al-Shaer *et al.* (2021), AC reports are more than just symbolic; they play a crucial role in conveying actual information. Sun *et al.* (2021), supported that IM plays a significant function inside the organization to boost the degree of firm performance. As an IM strategy in the context of CEO succession, Liu. (2020) argues that CEO successors are driven to increase their corporate social responsibility performance to ensure their leadership against the early removal of the current CEO. Al-Sayani *et al.* (2020) investigated the link between AC traits and IM practices in Malaysian company chairman statements. The most crucial corporate governance mechanism, however, is the BC, which has never been investigated before. Furthermore, the corporate governance code has emphasized the importance of board diversity, particularly the chairman's diversity. Table 1 summarizes the outcomes of prior studies. The review is organized around IM interaction with corporate governance processes.

3. Impression management measurement

Following Brennan *et al.* (2009) and Al-Sayani *et al.* (2020), both quantitative and qualitative data on IM were analyzed. To investigate IM, three methodologies were applied (emphasis, disclosure tone and performance comparisons):

- "repetition amounts (negative and positive)";
- "amounts (negative and positive)";
- "performance comparisons (negative and positive)"; and
- "information locations were used to generate the composite quantitative score (least, next-most, and most emphasized part of the chairman's statement section)."

The qualitative composite score was also calculated by coding:

- "statement repetition (negative and positive)";
- "statements and keywords (negative and positive)";
- "keywords promotion (reinforcement) (negative and positive)"; and
- "information locations (least, next-most, and most emphasized part in the Chairman's statement section)" pp-(Al-Sayani *et al.*, 2020, p. 8).

Given the recent business failures, the topic of high-quality financial reporting is now a hot topic in academia and among the general public. Prior studies on factors in financial reporting that reduce the quality of financial reporting have mostly focused on EM. Companies may, however, also use a far more subtle technique to skew outside perceptions of their prospects and performance, particularly by modifying the content and appearance of the annual report parts (e.g. the chairman's statement, CEO letter or letter to shareholders). Directors construct the corporation's narrative report with the intention of distorting readers' impressions of corporate accomplishments in a self-serving way (Godfrey *et al.*, 2003). To share optional information, businesses often use narrative or unaudited portions such as the Chairman's statement, CEO review and other supplemental sections, including those dedicated to workers, customers and stakeholders (Halim, 2016). To improve stakeholder communication, certain corporate narratives, like the chairman's statement, are becoming more prominent in Malaysia and throughout the globe in both obligatory and voluntary reporting and governance. However, if its preparers purposefully modify such disclosures to control users' perceptions rather than deliver additional

Table 1 IM studies

Author(s) and year	*Country*	*IV proxies*	*IM proxies*	*Findings*
Ingram and Frazier (1983)	USA	Financial performance and, political, agency and contractual measures	Narrative disclosures analyzed by the WORDS system	According to attribution theory, the findings support hypothesized links between performance and narrative disclosure
Abrahamson and Park (1994)	UK	Financial performance, proportion of outside directors, shareholding by outside directors, shareholding by top officers, owner control, myopic institutional investors myopic, accountants and intentionality	Computer assisted content analyzed by the WORDS system	The findings show that such concealment is limited by outside directors, major institutional investors and accountants, but small institutional investors and outside directors who are shareholders prompt it. Low disclosure is associated with subsequent selling of stock by top officers and outside directors. This result supports the claim that concealment by officers and its toleration by outside directors may be intentional
Lewellen *et al.* (1996)	USA	Market value of the common stock, common stock of firm i which is owned by non-management-affiliated block holders, common stock of firm i which is owned by its highest-paid executive, return on the common stock of firm	Reporting bias	uncover evidence that the industry and peer-company stock return benchmarks, as well as broader market indices, used by management to make those comparisons are downward biased, overstating relative reporting-firm performance. The level of the bias changes cross-sectionally depending on important reporting-firm factors such as company performance and the nature of the firm's OS
Mather and Ramsay (2007)	Australia	Board size, proportion of independent directors, CEO = chairman and executive shareholdings	Graph selectivity	Our graph selectivity studies show that during periods of CEO turnover, KFV graph selectivity is less favorable (especially in the use of profit graphs). We uncover evidence to support the idea that boards with a higher share of independent directors are more effective at reducing any unfavorable graph selectivity in period
Osma and Guillamón-Saorín (2011)	Spain	Governance measure (TotGov)	IMSC	The findings show that strong governance limits IM and that governance monitoring successfully reduces management's self-serving dis-closes. Our findings imply that management disclosure practices are influenced by informational motivations, at least in part
Al-Sayani *et al.* (2020)	Malaysia	AC Independence AC Size AC Meeting AC Financial Expert	IMSC	The level of IM evaluated by qualitative scores (IMSC1) and quantitative scores (IMSC2) has a strong negative connection with AC independence (IMSC2). While, based on qualitative assessments, AC meetings have a significant favorable relationship with the amount of IM (IMSC1)
Edeh *et al.* (2023)	Nigeria	IM	Employee contextual performance	This study comes to the conclusion that managers may favorably influence their staff to accomplish corporate goals with the help of IM
Min *et al.* (2023)	Canada	Stereotypical social dimension	IM	The study found that stereotypical social dimension has significant effect on IM
Schudlik *et al.* (2023)	German	IM	Interview performance	According to the study, interview performance is significantly impacted by IM

Source: Table created by authors

knowledge, the value of the disclosure would be weakened (Halim, 2016). Thus, regulators must be aware of the intentions and plans that seem to support discretionary corporate disclosures. For instance, governance principles that support greater narrative disclosure include the implicit assumption that these disclosures will not be made for wrong reasons (Halim, 2016). However, opportunistic behavior is assumed to predominate in studies on annual report narratives, and some study data support this notion.

The quantitative and qualitative composite findings are weighted to capture all of the above-mentioned detection processes. Brennan *et al.* (2009) developed the application system, which Osma and Guillamón-Saorín (2011) experimentally evaluated, as did Al-Sayani *et al.* (2020). According to prior study, the IMSC was determined by dividing the total of composite points (scores) for all quantitative or qualitative positive quantities or words by the sum of composite points (scores) for all quantitative/qualitative negative amounts or words (Brennan *et al.*, 2009; Osma and Guillamón-Saorín, 2011; Al-Sayani *et al.*, 2020). As a consequence, the IM assessment was divided into two parts: qualitative (IMSC1) and quantitative (IMSC2) scores. Despite this, few studies looked at internal corporate governance monitoring, namely, the BC, BOD, AC and OS using IM. Osma and Guillamón-Saorín (2011), for example, said that sound corporate governance restricts IM techniques. This successfully decreases the disclosure of management involvement in developing markets, in line with internal control. whilst Al-Sayani *et al.* (2020) investigate the association between the AC features (independence, size, meetings and financial expert) and IM practices in Malaysian company chairman statements.

4. Board chairman characteristics

4.1 Chairman independence

One of the most essential characteristics of a chairman, according to Pasaribu (2015), is the chairman's function (independence). According to previous studies, the chairmanships in the United States are most often occupied by insiders, with the independent chairmanship accounting for roughly 22% of the total (Benz and Frey, 2007). In the UK, boards of directors for publicly traded companies are led either by former non-executive directors of the company (Roberts, 2002) or by a truly independent chairperson (Owen and Kirchmaier, 2008). According to Villalonga and Amit (2009), the founders' presence as CEO or Chairman will give valuable abilities. During the probation period, the practice is known as "passing a baton," and the incoming CEO can be overseen by a previous CEO who currently holds the position of president (Brickley *et al.*, 1997). The former CEO possesses specialized business knowledge that can aid in the development of their successor (Fahlenbrach *et al.*, 2011).

Masulis and Mobbs (2014) discovered that the director's reputation was a major motivator for removing underperforming CEOs. According to Weisbach (1988), an independent director working in a well-managed company is regarded as a sign of the director's quality. According to McNulty *et al.* (2011), the independent president is chosen based on their reputation (prestige power). According to the agency theory, BC independence may regulate managers' opportunistic behavior when IM is used to deceive shareholders about the true worth of the company. This is likely to result in improved FRQ disclosure and reduced information asymmetry. The signaling theory backs up the idea that the BC's independence sends out signals to outside users about the credibility of the board's monitoring role. Thanks to the independent chairman's strong oversight, the risk associated with inadequate FRQ and the provision of asymmetric information should be decreased. In theory, when the chairman is independent, the danger of inadequate financial reporting and the provision of asymmetric information should be limited due to the independent chairman's stringent oversight. As a result, the following hypothesis is advanced:

H1. BC independence and IM have a negative association.

4.2 Chairman tenure

The impact of the presiding office can be addressed via the power of presiding. The long-time president may have expertise, McNulty *et al.* (2011) say, as he may be familiar with particular aspects of the company's operations. According to the previous study, the effect of long-tenured chairman has lowered the EM (Xiong, 2016). As a reason, the chairman who worked for a long time in the company knows the real situation of the company. From that point, they can monitor and control the opportunistic behavior of managers who use IM to mislead shareholders about the real value of the company. This may lead to improving the FRQ of disclosure and reducing information asymmetry.

Through the chairman, the impact of the chairman's tenure can be addressed. According to McNulty (2011), the long-term chairman may have the relevant expertise because he knows the specific aspects of the company and its operations. According to Xiong (2016), the effect of the long-lasting chairman is lower absolute discretionary accruals and less effective income management. This is because the chairman, who worked for a long time in a company, knows its real situation. From that point, he can monitor and control the opportunistic behavior of managers who use IM to mislead shareholders about the company's real value, which improves the FRQ and reduces information asymmetry.

The agency and signaling theories also support the above view through the explanation that chairman's tenure gives signals to outside users regarding the reliability of the board's monitoring role. Theoretically, when the chairman is long-tenured, the risk associated with poor FRQ and the provision of asymmetric information should be low tanks to strict supervision and the information offered by an independent chairman. As a result, we propose the following hypothesis:

H2. BC tenure and IM have a negative correlation.

4.3 Chairman ethnicity

Ethnicity demonstrates how business organizations conform when members of a certain ethnic group control their structures. In many domains, ethnic diversity will improve the keyboard role of management oversight or monitoring (Guest, 2019). There is no such thing as ethnic or racial diversity knowledge. Individualistic cultures, according to Hofstede and Hofstede (2005), seek independence from other members of society, and interpersonal relationships are not a key priority. Behavior is aimed at keeping the collective way of life, whilst individualistic cultures generally emphasize non-communal relations (Malunga, 2006; Mbigi, 2000). In a mixed society like Malaysia, diversity in the ethnicity of the chairman, who is also a member of the board, is a typical occurrence (Al-Absy, 2020; Iskandar *et al.*, 2017).

From a theoretical perspective, the effect of ethnic diversity on monitoring could be positive (Guest, 2019). The argument is that the role of surveillance in a number of ways will positively affect ethnic diversity. Minority directors have different sensitivities and compartmental features than Caucasian directors, as a result of their different socialization experiences. They are more prone to face discrimination and are hence more sensitive to injustice. This could express stronger opposition to agency management issues which benefit other stakeholders, such as over-paid CEOs, misreported accounting, failure to replace CEOs despite underperformance and destructive mergers and acquisitions (Guest, 2019).

Previous research showed that the variety of race, culture and language- which reflects Malaysia's multicultural and multiracial society (Haniffa and Cooke, 2005)- has an impact on the company's commercial success. Races such as Malay, Chinese and Indian preserve

their own identities. Cultural variations had an impact on corporate governance (Haniffa and Cooke, 2005). Directors from various ethnic origins have distinct cultural values and religious views (Salleh *et al.*, 2006a). These differences affect management's capacity to carry out, control and oversee business operations. Malaysia's two major ethnic groups, Malaysians and Chinese, contribute significantly to the country's socioeconomic growth (Haniffa and Cooke, 2002).

Previous studies obtained mixed results with regard to the effect of ethnic diversity on firm performance (Marimuthu and Kolandaisamy, 2009; Marimuthu, 2008). Meanwhile, Amran *et al.* (2014) found that chairman ethnicity has a positive effect on the firms. Based on the above discussion, the ethnic president may have the same incentive to operate the board well and to take efficient decisions, mainly increasing the FRQ and reducing the IM strategies, which are supported by the agency and the signaling theories. Therefore, this study proposes to test the following hypothesis:

H3. The ethnicity of the Malay chairman has a detrimental impact on IM.

4.4 Chairman age

Executives of varying ages exhibit a wide range of risk attitudes and behaviors, which have an impact on corporate strategy. Meanwhile, the senior chairman is less enthusiastic about his work and is content to live in peace. According to past studies, the senior chairman is less effective in carrying out his or her duties than the younger chairman. As a result, the senior chairman is less effective in their principal monitoring function (Hambrick and Mason, 1984; Waelchli and Zeller, 2013).

According to Amran *et al.* (2014), the chairman's age positively affected the firms. According to Bertrand and Schoar (2003), senior CEOs had less capital spending and smaller financial leverage. Yim (2013) consistently emphasizes the necessity of adequate incentives and performance for new CEOs. An older chairman is more likely to take a conservative strategy because overinvestment and value destruction decisions can be costly (Xiong, 2016). Older managers are more likely to avoid complications and make sound decisions (Yang *et al.*, 2011). The senior chairman has a better reputation than the younger chairman, and therefore, he is less willing to exaggerate earnings through EM to demonstrate his competence. Youthful managers, on the other hand, are more prone to be overconfident in business decision-making and have a greater chance of manipulating profitability (Prendergast and Stole, 1996). The elder chairman focuses more on risk management and advocates stricter control activity requirements, then represses EM. Risks such as EM, according to the senior chairman, would have a negative impact on their reputation (He and Liu, 2010). The age of executives is linked to financial restatements in a negative way. As a result, the senior chairman should have a greater incentive to improve his board management and strategic decision-making, notably in terms of boosting the FRQ and minimizing the IM strategies. The following hypothesis is evaluated based on the above argument:

H4. BC age and IM have a negative association.

Table 2 shows a summary of the previous studies' results. The review is organized based on the BC's characteristics, such as chairman independence, chairman tenure, chairman ethnicity and chairman age.

5. Proposed research framework

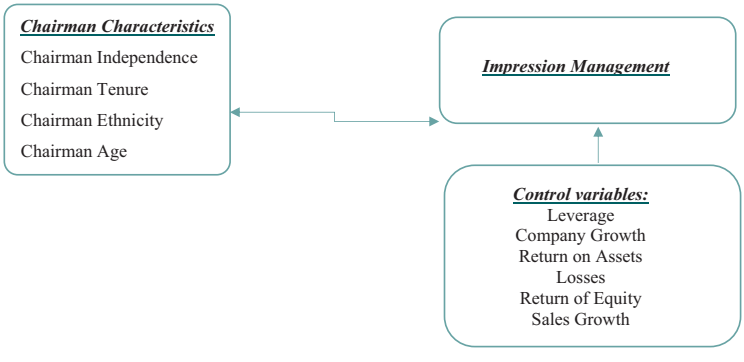
This study offered the following paradigm, which could explain a significant degree of heterogeneity in the quality of financial reporting, based on the little literature on the impact of BC qualities on IM (Figure 1).

Table 2 BC characteristics studies

Author(s) and year	*Country*	*BC characteristics*	*DV proxies*	*Findings*
Pasaribu (2015)	UK	Chairman independence Chairman title (function) Chairman tenure Chairman age chairman involvement	CEO turnover	The chairman's title, independence and age play important roles in removing poor CEOs. Non-executive chairmen monitor poor CEOs in a small or outsider-dominated manner more effectively. The chairman's power of influence as a leader on the board may play a major role in the dismissal of CEO
Xiong (2016)	China	Gender of chairman, tenure of chairman, age of chairman, education of chairman	EM	Companies with long-tenured, female, more educated and older chairs have less absolute discretion and less real income management after other factors which have proven to be linked to EM in previous research have been controlled
Amran *et al.* (2014)	Malaysia	Chairman gender, chairman age, chairman education level, chairman professional qualification, chairman ethnicity	ROA	The elderly chairman's experience and the aggressiveness of the younger CEO work better to bring about greater corporate performance than to have an older and a chief executive officer or a younger Chairman or CEO. Although the results on ethnicity seem to be preliminary, they are still indicative enough that important ethnic groups would be appointed as part of the ruling party's New Economic Policy (NEP) initiatives
Al-Absy (2020)	Malaysia	Firm's financial stability BC's age BC's ethnicity BC's tenure BC as family membership "Board chairman's dual chair with the nomination and remuneration committees"	Firm's financial stability	High financial stability is linked to the age and term of the BC. The Chairman's age and tenure may help the company avoid financial trouble. The results, however, showed that the BC's ethnicity, family membership and dual chair with the nominating committee had a detrimental impact on the firm's financial stability

Source: Table created by authors

Figure 1 Research framework



Source: Figure created by authors

6. Sample and data collection

A sample is a subset of the target population from which the results of the research can be extrapolated to the entire population of interest (Sekaran and Bougie, 2016). To make things easier, this study's sample size was calculated using the generalized scientific guidelines tabulation produced from this formula (Krejcie and Morgan, 1970). Given a total population of 743 (as shown in Table 3), a sample size of 248 is appropriate. This sample size also meets the rule of thumb's minimum requirement. This study's sample consists of non-financial enterprises that were registered in the Bursa Malaysia capital market during 2017 and 2018. The random sample approach was used to get the sampling data. The sample businesses were drawn from the 11 various sectors of Bursa Malaysia, and the sample data reflect all of them (Ahmad, 2016; Salleh and Bin, 2009). Bursa Malaysia has 934 listed businesses (total number of companies registered in Bursa Malaysia at the end of December, 2018). Based on random selection procedures, the recommended sample size for this research was 274 businesses (Krejcie and Morgan, 1970; Sekaran and Bougie, 2016). We removed 140 firms because they did not include a chairman's statement in their annual report, and we picked the 134 that did. So, the total number of observations is 268 from companies listed on the Bursa Malaysia in 2017 and 2018.

According to the stratified random sampling method used in this study (Kumar, 2011; Sekaran and Bougie, 2016), every component of the population has an equal and independent probability of being chosen as a subject. The sample frame that was chosen included 11 distinct industries. Stratified sampling is used to account for the possible heterogeneity and degree of industry-related variation in the sampling population (Kumar, 2011). Therefore, the sample frame is separated into strata, homogenous and non-overlapping subgroups by using stratified sampling. Because probability sampling was used in this investigation, Krejcie and Morgan's (1970) total sample size of 248 was used to calculate the proper percentage of desired samples selected from each stratum.

Each stratum will have a comparable sample percentage (Explorable, 2009). To obtain a widely representative sample, a stratified sampling strategy was used. Because the components of each stratum are proportional to the overall population, a proportionate stratified random sample is used. A disproportionate sample choice is not considered because the strata are neither too tiny nor too big, and not much variability was suspected within a certain stratum (Sekaran and Bougie, 2016). The process for choosing a stratified sample is based on Kumar's procedures (2011). Table 4 shows the distribution of companies by sector. The industrial products and services sector record the highest number of companies (73), followed by consumer products and services (61) and property (34). Conversely, the health care and utilities, electronic and optical products industries each record the lowest number of companies (4).

Table 3 Total population of current study

Industry sector	N
Construction	49
Consumer products and services	183
Energy	32
Health care	13
Industrial products and services	220
Plantation	43
Property	101
Technology	39
Telecommunications and media	19
Transportation and logistics	32
Utilities	12
Total	743

Source: Table created by authors

Table 4 Summary of the sampling frame and stratification process

Industry sector	N	*Sampling fraction (per cent)*	*Stratum size (n)*
Construction	49	0.07	16
Consumer products and services	183	0.25	61
Energy	32	0.04	11
Health care	13	0.02	4
Industrial products and services	220	0.30	73
Plantation	43	0.06	14
Property	101	0.14	34
Technology	39	0.05	13
Telecommunications and media	19	0.03	7
Transportation and logistics	32	0.04	11
Utilities	12	0.02	4
Total	743	1.00	248

Source: Table created by authors

The sample frame and stratification procedure are briefly described in Table 5. The random selection of a stratum element will be carried out using an independent table of randomly generated numbers in Microsoft Excel after the necessary stratum size was established.

For data homogeneity, the study excluded 114 firms because they do not include the chairman's statement in their annual report. As a result of the selection criteria, a total of 134 firms (268 company-year observations) were available for analysis, as shown in Table 4. To assess the influence of the independent factors on IM, this study uses pooled ordinary least square (OLS) regression.

Table 6 presents the distribution of sampled companies by 11 industry classifications based on Bursa Malaysia (BM). The results showed that the largest sector in the sample was industrial products (26%), followed by consumer products (20%) and property (14%). The lowest is the health-care sector (1%). IM cannot be observed directly (Osma and Guillamón-Saorín, 2011). Hence, researchers developed several measures that confirmed distortions in management information. Pioneer research in IM strategies was conducted by Adelberg (1979). He investigated textual complexity and hypotheses that management could use language to manipulate users' understanding. He used a readability index to evaluate narratives included in annual reports and found different levels of understandability across various financial report messages. Textual complexity is the most investigated IM technique (Brennan *et al.*, 2009).

The readability technique, on the other hand, was heavily criticized. Several publications recognized the limits of readability formulas and their application to accounting tales,

Table 5 Summary of study sampling

Industry sector	N	*Excluding firms*	*Final sample*
Construction	16	8	8
Consumer products and services	61	34	27
Energy	11	5	6
Health care	4	2	2
Industrial products and services	73	37	36
Plantation	14	4	10
Property	34	15	19
Technology	13	4	9
Telecommunications and media	7	2	5
Transportation and logistics	11	3	8
Utilities	4	–	4
Total	248	114	134

Source: Table created by authors

Table 6 Distribution of sample firms by industry

Industry	*Firms*	*Observations*	*%*
Construction	8	16	5.97
Consumer products and services	27	54	20.15
Energy	6	12	4.48
Health care	2	4	1.49
Industrial products and services	36	72	26.87
Plantation	10	20	7.46
Property	19	38	14.18
Technology	9	18	6.72
Telecommunications and media	5	10	3.73
Transportation and logistics	8	16	5.97
Utilities	4	8	2.99
Total	134	268	100

Source: Table created by authors

raising validity concerns (Jones and Shoemaker, 1994; Courtis, 1998). One of the methodologies established to study IM difficulties is textual complexity. In their review, Merkl-Davies and Brennan (2007) identified seven discretionary disclosure techniques that were discussed in prior research. This research, like Brennan *et al.* (2009), used three methodologies to analyze IM quantitative and qualitative data (emphasis, tone of disclosure and performance comparisons). Some of these techniques include an analysis of any two of them, while others include an analysis of just one type of information. For instance, reinforcement is exclusive to qualitative information.

6.1 Variables measurements

In this section, the variables measurements are provided in Table 7 as mentioned below:

6.2 Model specification

The association between BC features as independent variables and IM is investigated in the following model. Brennan *et al.* (2009), as well as Osma and Guillamón-Saorín (2011), were used to create the model:

$$\begin{aligned} \mathrm{IM\,(IMSC1)} = {} & \beta 0 + \beta 1\mathrm{CI}\sum \mathrm{it} + \beta 2\mathrm{CT}\sum \mathrm{it} + \beta 3\mathrm{CE}\sum \mathrm{it} + \beta 4\mathrm{CA}\sum \mathrm{it} + \beta 5\mathrm{LVG}\sum \mathrm{it} \\ & + \beta 6\mathrm{MTV}\sum \mathrm{it} + \beta 7\mathrm{ROA}\sum \mathrm{it} + \beta 8\mathrm{LOSSES}\sum \mathrm{it} \\ & + \beta 9\mathrm{ROE}\sum \mathrm{it} + \beta 10\mathrm{SG}\sum \mathrm{it} + \mathrm{eit} \end{aligned} \quad (1)$$

$$\begin{aligned} \mathrm{IM\,(IMSC2)} = {} & \beta 0 + \beta 1\mathrm{CI}\sum \mathrm{it} + \beta 2\mathrm{CT}\sum \mathrm{it} + \beta 3\mathrm{CE}\sum \mathrm{it} + \beta 4\mathrm{CA}\sum \mathrm{it} + \beta 5\mathrm{LVG}\sum \mathrm{it} \\ & + \beta 6\mathrm{MTV}\sum \mathrm{it} + \beta 7\mathrm{ROA}\sum \mathrm{it} + \beta 8\mathrm{LOSSES}\sum \mathrm{it} + \beta 9\mathrm{ROE}\sum \mathrm{it} \\ & + \beta 10\mathrm{SG}\sum \mathrm{it} + \mathrm{eit} \end{aligned} \quad (2)$$

7. Empirical results

7.1 Descriptive statistics

The descriptive statistics reported in Table 8 include the absolute values of discretionary qualitative IM (IMSC1) and quantitative IM (IMSC2). The minimum value of IMSC1 and IMSC2 is −1, and the maximum is 1, while the mean values of IMSC1 and IMSC2 are 0.54 and 0.34, respectively.

Table 7 Variable's measurements

Variable	*Acronym*	*Measurement*	*Related studies*
Dependent variable			
IM	IMSC	"The sum of composite point (scores) for all the quantitative/qualitative positive amounts or words minus the sum of composite point for all the quantitative/qualitative negatives amounts, divided by the sum of the compound points for all quantitative/ qualitative numbers or words of words and amounts"	Brennan *et al.* (2009), Osma and Guillamón-Saorín (2011)
Independent variables			
BC independence	CI	It equals one if the chairman is an independent and 0 otherwise, which is treated as a dummy variable	Pasaribu (2015), Al-Dhamari and Ku Ismail (2013)
BC tenure	CT	The number of years spent as chairman, either executive or non-executive	Pasaribu (2015), Soheilyfar *et al.* (2014)
BC ethnicity	CE	It equals one if the chairman is Malay and zero otherwise, which is used as a dummy variable	Amran *et al.* (2014)
BC age	CA	The number of the years (the chairman age)	Pasaribu (2015), Xiong (2016)
Effectiveness of chairman	*CEF*	chairman effectiveness; BI, BG, BMD, BE as boards of directors' effectiveness	Goh (2009), Habbash *et al.* (2013), Kent *et al.* (2010), Callanan *et al.*, 2008
Control variables			
Leverage	LVG	Leverage, it is calculated through total debts over total assets	Al-Matari (2020), Al-Matari and Al-Arussi (2016), Al-Matari *et al.* (2014a, 2014b)
Company growth	MTV	Market-to-book value ratio	Chi *et al.* (2015), Dechow, Ge, Larson, and Sloan (2011), Gunny (2010), Zang (2012)
Return on assets	ROA	Net income to total assets ratio	Hashim and Devi (2008), Huang and Sun (2017), Al-Homaidi *et al.* (2021), Al-Matari and Mgammal (2019), Al-Matari *et al.* (2017)
Losses	LOSSES	Dummy variable equals "1" if the net income is less than zero and "0" otherwise	Al-Rassas and Kamardin (2016)
Return of equity	ROE	Ratio of net income to shareholders' equity	Al-Homaidi *et al.* (2021)
Sales growth	SG	Over the previous year's sales, the difference between the current year's sales and the previous year's sales	Al-Rassas and Kamardin (2016), Ilmas *et al.* (2018), Li and Zaiats (2017)

Source: Table created by authors

The average chairman independence is 0.485, the minimum and maximum are 0.000 and 1.000, respectively. Moreover, the average chairman tenure is 10 years. The result is similar to that found by Peni (2014) but higher than the result of Xiong (2016). Table 8 shows the mean of chairman ethnicity is 0.578, the minimum and maximum are 0.000 and 1.000, respectively. The statistics in Table 8 also indicate that the mean age of chairman age is 66 years old, higher than those of Xiong (2016) and Amran *et al.* (2014).

As for the control variables, Table 8 shows a mean LVG of 0.209, ranging from 0.00 to 1.272. It also shows that the mean MTV was 1.18, ranging from −0.99 to 16.31. ROA of 2.282, ranging from −104.43 to 35.05. The negative sign implies that some companies reported a loss during the study period. Table 8 shows that the mean LOSSES is 0.254 and that the LOSSES vary with a minimum of 0.00 and a maximum of 1. The descriptive analysis also shows that the mean of ROE is −15.910. The descriptive analysis also shows that the mean of ROE is −15.91, with a standard deviation of 307.240 and a range of −5018.720 to 77.230. The descriptive analysis also shows that the mean of sales growth is 24%, with a

Table 8 Descriptive statistics

Variable	*Obs*	*Mean*	*SD*	*Min*	*Max*
IMSC1	268	0.543	0.350	−1.000	1.000
IMSC2	268	0.339	0.653	−1.000	1.000
CI	268	0.485	0.501	0.000	1.000
CT	268	10.086	9.049	0.000	48.000
CE	268	0.578	0.495	0.000	1.000
CA	268	66.459	8.512	42.000	88.000
LVG	268	0.209	0.194	0.000	1.272
MTV	268	1.180	1.666	−0.990	16.310
ROA	268	2.282	10.791	−104.430	35.050
LOSSES	268	0.254	0.436	0.000	1.000
ROE	268	−15.910	307.240	−5018.720	77.230
Sg	268	0.239	1.592	−0.875	21.721

Notes: *IMSC1* = impression management score composite (qualitative scores); *IMSC2* = impression management score composite (quantitative scores); *CI* = chairman independence; *CT* = chairman tenure; *CE* = chairman ethnicity; *CA* = chairman age; *LVG* = leverage; *MTV* = market to book value; *ROA* = return on assets; *SSES* = *losses companies SG* = sales growth
Source: Table created by authors

standard deviation of 159% and a range of −0.88 to 21.72. A negative value for sales growth means that the revenue of the present year is lower than that of the preceding year.

7.2 Bivariate analysis

When one or more regressors are significantly correlated, the regression analysis findings are influenced by multicollinearity (Hair *et al.*, 2014). According to Tabachnick and Fidell (2007) and Hair *et al.* (2014), if the correlation between the variables surpasses 0.9, the problem of multicollinearity is detected. In this work, the presence of multicollinearity was investigated using the Pearson correlation matrix (r) and the variance inflation factor (VIF).

Multicollinearity was not an issue in our investigation, as seen in Table 9. However, according to Hamilton (2012), the correlation matrix is only useful for detecting multicollinearity to a limited extent. To verify the absence of collinearity between the explanatory variables, the VIF test, he proposed, may be used. The influence of other independent variables on the standard error of a regression coefficient is indicated by the VIF (Hair *et al.*, 2014). Collinearity issues are indicated by a VIF of more than ten (Kline,

Table 9 Pearson correlation for continues variables

Variable	*IMSC1*	*IMSC2*	*CI*	*CT*	*CE*	*CA*	*LVG*	*MTV*	*ROA*	*ROE*	*SG*
IMSC1	1.000										
IMSC2	0.580***	1.000									
CI	−0.104**	−0.048	1.000								
CT	−0.148**	−0.069	−0.089	1.000							
CE	0.076	0.098	0.421***	−0.214***	1.000						
CA	−0.155**	−0.086	0.206***	0.318***	0.043	1.000					
LVG	−0.021	0.023	−0.062	−0.256***	−0.007	−0.024	1.000				
MTV	0.141**	0.181***	0.027	−0.128**	0.051	0.006	−0.126**	1.000			
ROA	0.177***	0.254***	−0.051	−0.056	−0.056	0.048	−0.159	0.365	1.000		
ROE	0.077	0.138**	−0.065	0.044	−0.057	0.029	−0.094	0.085	0.326***	1.000	
SG	0.146**	0.124**	−0.043	−0.104**	−0.016	−0.117**	−0.036	−0.013	0.055	0.023	1.000

Notes: *IMSC1* = impression management score composite (qualitative scores); *IMSC2* = impression management score composite (quantitative scores); *CI* = chairman independence; *CT* = chairman tenure; *CE* = chairman ethnicity; *CA* = chairman age; *LVG* = leverage; *MTV* = market to book value; *ROA* = return on assets; *SSES* = *losses companies; SG* = sales growth; *significant level as follow* = (*) $p < 0.10$; (**) $p < 0.05$ and (***) $p < 0.01$, *respectively*
Source: Table created by authors

2015). Table 10 shows that there were no concerns with collinearity amongst the research variables because all independent and control variables had VIF scores lower than 5, which was considerably below the cut-off value of 10. As a result, the findings show that this study is devoid of multicollinearity issues.

7.3 Multivariate regression analysis

7.4 Regression analysis results

Several tests were run to choose from a variety of regression models to use the one that best fits the data. The LM test for random effects was first used to distinguish between pooled OLS regressions and random effects. The test findings showed that the random effects model is preferable to the pooled OLS ($p > 0.05$), rejecting the null hypothesis (Breusch and Pagan, 1980; Yekini *et al.*, 2015). This study came to the conclusion that, in both situations, the pooled regression model is more appropriate than the random effect model based on the results of this test. The OLS functional model determines the strength of the relationship between each independent variable and IM, the dependent variable. After the regression assumptions were satisfied, the connection between IM (dependent variable) and the independent components (BC qualities) was investigated using the linear regression technique. Control factors included leverage, market to book value, return on assets, business losses and sales growth. The quantitative and qualitative models provided identical findings, with the quantitative model being the weakest of the two. The research backs with Osma and Guillamón-Saorín (2011) argument that qualitative data are confusing and simple to organize. The link between the independent and dependent variables in the linear regression is shown in Table 11.

Table 11 shows the linear regression results for the model using robust OLS data analysis estimate to examine the relationship between the dependent variables IMSC1 (qualitative scores) and IMSC2 (quantitative scores) and the independent factors and control variables. $R2 = 0.1218$ indicated that the model was fit and significant at the 1% level for the first dependent variable (IMSC1). For the second dependent variable (IMSC2), the model was similarly fit and significant at the 1% level, with $R2 = 0.1287$, indicating that the model is statistically feasible. The R-squared values of the two models are comparable to models

Table 10 VIF and tolerance results

Variable	*VIF*	*1/VIF*
ROA	1.85	0.5409
loss	1.57	0.6380
CT	1.36	0.7340
CE	1.3	0.7694
CI	1.3	0.7695
CA	1.25	0.8022
MTV	1.21	0.8250
IMSC2	1.19	0.8387
LVG	1.17	0.8542
ROE	1.14	0.8757
Sg	1.04	0.9573
Mean VIF	1.31	

Notes: IMSC1 = impression management score composite (qualitative scores); IMSC2 = impression management score composite (quantitative scores); CI = chairman independence; CT = chairman tenure; CE = chairman ethnicity; CA = chairman age; LVG = leverage; MTV = market to book value; ROA = return on assets; SSES = losses companies; SG = sales growth
Source: Table created by authors

Table 11 Multiple regression results using the OLS models

Variables	Hypothesis	Predicted sign	Results	IMSC1		IMSC2	
				Coef.	Std. Err.	Coef.	Std. Err.
CI	H1	–	Supported	−0.091	0.046**	−0.085	0.085
CT	H2	–	No support	−0.004	0.003	0.002	0.005
CE	H3	–	No support	0.077	0.046*	0.179	0.085**
CA	H4	–	No support	−0.003	0.003	−0.005	0.005
LVG				0.013	0.111	0.348	0.207*
MTV				0.019	0.013	0.048	0.024**
ROA				−0.001	0.003	0.004	0.005
loss				−0.220	0.056***	−0.366	0.105***
ROE				0.000	0.000	0.000	0.000
Sg				0.026	0.013**	0.046	0.024**
_cons				0.794	0.166***	0.508	0.308*
Number of obs				268		268	
Prob > F				0.0000		0.0000	
R-squared				0.1547		0.1613	
Adj R-squared				0.1218		0.1287	
Root MSE				0.32757		0.6097	

Notes: IMSC1 = impression management score composite (qualitative scores); IMSC2 = impression management score composite (quantitative scores); CI = chairman independence; CT = chairman tenure; CE = chairman ethnicity; CA = chairman age; LVG = leverage; MTV = market to book value; ROA = return on assets; SSES = losses companies; SG = sales growth; significant level as follow = (*) $p < 0.10$; (**) $p < 0.05$ and (***) $p < 0.01$, respectively

Source: Table created by authors

that predict IM in the accounting literature. In the qualitative and quantitative models, Osma and Guillamón-Saorín (2011) obtained *R*2 values of 0.12% and 0.13, respectively.

Regarding the relationship between BC independence and IMSC, Table 11 shows the coefficient was significantly negative, indicating that the IMSC1 decreases in companies with independent chairmen. Thus, *H1a* is supported. The relationship between chairman independence and IM supported the signaling theory in that it gives a signal to investors that independent chairmen mitigate IM practices. This finding is in line with the prediction of the signaling hypothesis as the independent directors are appointed to enhance performance given their professional competencies and relay a positive signal to investors. This result is in line with Miko and Kamardin (2016), who stated that the independence of the BC gives the board a chance to control the affairs of management effectively. Similarly, Al-Zyoud (2012) and Al-Absy *et al.* (2019) discovered that chairman independence is linked to a low degree of discretionary accruals, resulting in superior reporting quality.

Table 11 shows that chairman tenure and IMSC are statistically not associated. The results suggest that the higher the chairman tenure, the lower the demand for IMSC1. It can be interpreted that the Malaysian companies that are dominated by longer chairman tenure demand a lower level of IMSC1, which results in lower IM. Therefore, *H2* is not supported. This result is related to Florou (2005), who mentioned that a chairman who participates in selecting a CEO is less likely to remove an incompetent CEO because his role as a chairman will be jeopardized. Moreover, the long-tenured chairmen have a comfortable relationship with the directors, especially with the CEOs, which results in ineffective discipline of poor performing CEOs.

In terms of the chairman's ethnicity factor, Table 11 shows a positive and significant association between chairman ethnicity and IMSC. This finding is similar to previous studies (Salleh *et al.*, 2006b). This finding is related to Ferreira (2010) who stated that a variation in education leads to conflicts or less trust between minority directors and other directors. Because of group communication or cohesion, board efficiency is reduced, and the monitoring function may be limited.

Table 11 shows that the chairman age was positively related to IMSC but not significant. The result indicates that an increase in the chairman's age does not lead to a decrease in the IM level. Therefore, *H4a* is not supported. Managers of various age groups who show variability in risk and behavior that affects a company's strategy are becoming more risk-averse. The elderly chairman has less passion for work involvement and more desire to live in a peaceful state. According to previous studies, an older chairman is less effective in performing duties than a younger chairman. The older chairman, therefore, plays a less effective role in surveillance. Regarding the control variables, the findings show that leverage has a negative impact on IMSC. The results presented in Table 11 indicated that the leverage, market to book value and sales growth have significant and positive association with IMSC. On the contrary, losses have a significant and negative relationship with IMSC. Finally, ROE and ROA have no impact on IMSC.

7.5 Additional test

The Hausman test was used to determine whether the fixed or random effects model is more acceptable, even though this study revealed that pooled OLS regressions are appropriate as discussed above. The random effects model was selected based on the test findings (Hausman, 1978). Finally, other diagnostic tests were run to look at other estimate problems such as autocorrelation, cross sectional dependency and heteroscedasticity. The research data were examined for heteroscedasticity using the Breusch–Pagan/Cook–Weisberg test. The test findings shown in Table 12 demonstrated the existence of heteroscedasticity at a significant level with p-values lower than 0.05. To examine for cross-sectional dependency issues among research models, the Pesaran (2007) test was used. The *p*-values of the Pesaran test are higher than >0.05 significance level, as shown in Table 12, indicating that the problem of cross-sectional dependency is not present in our models. To further check for the presence of autocorrelation, Wooldridge's test for panel data was applied. The test results shown in Table 11 showed that an autocorrelation problem existed (*p* 5 0.000). Because it tackles the previously reported autocorrelation and

Table 12 Cross-sectional time-series FGLS regression

	IMSC1		*IMSC2*	
Variable	*Coef.*	*z*	*Coef.*	*z*
CI	−0.07	−3.020***	−0.0514	−1.31
CT	−0.002	−1.15	−0.0006	−0.24
CE	0.091	3.790***	0.1223	3.09***
CA	−0.004	−4.030***	−0.0046	−1.92*
LVG	0.065	1.05	0.2132	2.08**
MTV	0.015	3.520***	0.0482	5.12***
ROA	0	0.09	0.0041	1.31
loss	−0.167	−6.190**	−0.3385	−6.91**
ROE	0	1.730*	0.0002	2.33**
Sg	0.026	5.540***	0.0506	5.58***
_cons	0.826	12.370***	0.5899	4.05***
Number of obs	268		268	
Wald chi2(10)	315.21		292.68	
Prob>chi2	0		0	
Coefficients	generalized least squares			
Panels	heteroskedastic			
Correlation	no autocorrelation			

Notes: IMSC1 = impression management score composite (qualitative scores); IMSC2 = impression management score composite (quantitative scores); CI = chairman independence; CT = chairman tenure; CE = chairman ethnicity; CA = chairman age; LVG = leverage; MTV = market to book value; ROA = return on assets; SSES = losses companies; SG = sales growth; significant level as follow = (*) $p < 0.10$; (**) $p < 0.05$ and (***) $p < 0.01$, respectively

Source: Table created by authors

heteroscedasticity problems, a workable generic least squares (FGLS) model for panel data was used (Al-Matari, 2020). The main regression was performed using various regression methodologies, such as panel-corrected standard error (FGLS) and pooled OLS regression with robust standard errors (Al-Matari, 2020; Qasem *et al.*, 2020; Petersen, 2009), to corroborate the robustness of the initial results. An important point to make is that FGLS is more resistant to contemporaneous correlation between businesses and heteroscedasticity (Al-Matari, 2020; Al-Duais *et al.*, 2022; Qasem *et al.*, 2023). There is a substantial correlation between BC attributes and IM under various regression estimations, according to the results of these alternative regression techniques (Table 12), which are equivalent to those provided in the main regression (Table 11). Finally, the outcomes of the other tests are consistent with the primary outcome. The results provided by the additional test displayed in Table 12 are similar with the main results.

First, the relationship between BC independence, chairman tenure and chairman ethnicity with IMSC (Tables 11 and 12) shows similar findings.

Second, the relationship between BC age and IMSC was positively related to IMSC but not significant as found by the main model. However, the additional test found that the relationship between BC age and IMSC was negatively related to IMSC. The result indicates that an increase in the chairman's age leads to an increase in the IM level.

Several additional tests were performed to confirm the robustness and sensitivity of the basic results. The major models of the research examined the influence of the chairman's and BOD' personality attributes on IM. The present study examined the influence of chairman characteristics on effectiveness (score), following earlier studies (Chobpichien *et al.*, 2007; DeFond *et al.*, 2005; García Lara *et al.*, 2007; Johl *et al.*, 2013; Krishnan and Visvanathan, 2009; Callanan *et al.*, 2008). The present research re-estimates the basic IM model of by analyzing the chairman independence, chairman tenure, chairman ethnicity, chairman age and chairman effectiveness to investigate the influence of those qualities on an IM score (as a bundle rather than as a single measure).

According to earlier studies (Goh, 2009, 2013; Kent *et al.*, 2010; Callanan *et al.*, 2008), a composite measure is used to calculate the effectiveness of BC. To create a composite measure of BC, BOD and AC, the scores of the four features of BC, BOD and AC are first added together. Then, on a scale of "0" to "4," a composite assessment of BC, BOD and AC efficacy is created. A higher efficacy score of BC, BOD and AC shows that the BC, BOD and AC are more effective.

The results of all variables in the model, as shown in Table 13, were qualitatively similar to the results of the main model, with only minor changes in significance levels. Models can be represented in this context using the following formula:

$$\begin{aligned} \mathrm{IM\,(IMSC)} = {} & \beta 0 + \beta 1 CEF \sum \mathrm{it} + \beta 2 \mathrm{LVG} \sum \mathrm{it} + \beta 3 \mathrm{MTV} \sum \mathrm{it} + \beta 4 \mathrm{ROA} \sum \mathrm{it} \\ & + \beta 5 \mathrm{LOSSES} \sum \mathrm{it} + \beta 6 \mathrm{ROE} \sum \mathrm{it} + \beta 7 \mathrm{SG} \sum \mathrm{it} + \mathrm{eit} \end{aligned} \tag{3}$$

In terms of board characteristics, Table 13 showed that the CEF coefficients were negative and significant for the demand for IM. These findings support the suggestion that the chairman effectiveness tends to demand a higher level of FRQ and a lower level of IM.

8. Implications of the study

Several studies have used agency and signaling theories to solve corporate governance challenges and image management; the majority were undertaken in industrialized nations. As a result, our research may contribute to the literature by expanding knowledge of these ideas in a developing nation where the agency relationship is more complicated and ownership concentration affects the efficiency of corporate governance. This research specifically looks at IM. Previous research used agency theory to investigate the link

Table 13 OLS Analysis findings – effectiveness of chairman characteristics FGLS analysis findings – effectiveness of chairman characteristics

	IMSC1		*IMSC2*		*IMSC1*		*IMSC2*	
Variables	*Coef.*	*t*	*Coef.*	*t*	*Coef.*	*z*	*Coef.*	*z*
CEF	*−0.033*	*0.0177**	0.012	0.033	*−0.030*	*−3.320****	0.001	0.060
LVG	0.049	0.108	*0.360*	*0.2007**	*0.103*	*1.810***	*0.192*	*2.020***
MTV	*0.023*	*0.0131**	*0.051*	*0.0243***	*0.023*	*5.700****	*0.052*	*5.250****
ROA	−0.001	0.003	0.003	0.005	−0.002	−1.300	0.002	0.580
loss	*−0.229*	*0.0561****	*−0.394*	*0.1039****	*−0.227*	*−10.060****	−0.392	−10.220*****
ROE	0.000	0.000	0.000	0.000	*0.000*	*2.130***	0.000	2.170****
Sg	*0.029*	*0.0129***	*0.050*	*0.0238***	*0.031*	*7.840****	0.054	6.440*****
_cons	*0.6296*	*0.0558****	*0.2625*	*0.1033***	*0.617*	*24.710****	0.333	6.610*****
Number of obs	268		268		268		268	
Prob > F	0.000		0.000		0		0	
R-squared	0.128		0.144					
Adj R-squared	0.104		0.121					
Root MSE	0.331		0.612					
Wald chi2	-		-		359.660		430.200	
Coefficients	–		–			generalized least squares		
Panels	–		–			heteroskedastic		
Correlation	–		–			no autocorrelation		

Notes: *IMSC1* = impression management score composite (qualitative scores); *IMSC2* = impression management score composite (quantitative scores); *CEF* = effectiveness of chairman characteristics; LVG = leverage; *MTV* = market to book value; *ROA* = return on assets; *SSES* = losses companies; SG = sales growth; *significant level as follow* = (*) $p < 0.10$; (**) $p < 0.05$ and (***) $p < 0.01$, respectively
Source: Table created by authors

between governance structures and IM. The majority of this research focused on industrialized nations, whose environments vary from those of developing countries. The current research contributes to our knowledge of agency theory in a merging market where big shareholders control enterprises and agency relationships are complicated. The current research focuses on the relationship between governance structures and IM in Malaysia, where ownership is more concentrated and less controlled.

The current study adds to governance monitoring and IM in a unique way, based on signaling and agency theories. First, agency theory proposes reducing the agency issue by having effective governance oversight, making it more difficult for managers to influence profits. The analysis of the effect of governance monitoring on IM in this study discovered that chairman ethnicity, chairman independence, chairman tenure, chairman age, BE and ACI play an important role in minimizing IM in the Malaysian market. Second, using the alignment and entrenchment hypotheses, this research investigated the impact of ownership concentration, a unique aspect of the Malaysian market, on IM. According to the alignment effect, increasing shareholdings might lower agency costs by increasing oversight, controlling owners and aligning conflicts of interest (Gomes, 2000; Wang, 2006). However, the entrenchment effect suggests that concentrated ownership in the hands of controlling shareholders may result in wealth expropriation by non-controlling shareholders via profit management (Ding *et al.*, 2007; Wang, 2006). This research showed that organizations with a high percentage of family ownership are more likely to use IM, lending credence to the entrenchment argument. This shows that family shareholders are unconcerned about their company's image because expropriations and lack of transparency affect minority shareholders (Maury, 2006). As a result, they tamper with their report, which contradicts the alignment idea. This is not the case with management and foreign ownership concentration. Furthermore, this research improved comprehension of signaling theory, especially in developing markets. While the idea was increasingly used in management literature, it was applied in just a few studies in the accounting discipline. This research therefore adds to both signaling theory and the accounting literature by investigating the signaling functions of BC, BOD, AC features and OS and their influence on IM practices.

Moreover, the current study indicates the significance of the governance monitoring role. The board's chairman characteristics are related to IM, supporting the Malaysian Code of Corporate Governance that emphasizes chairman independence as one of the board characteristics. Therefore, regulators (such as the Securities Commission) may consider this result and encourage Bursa Malaysia–listed companies to focus more on chairman independence. Scholars investigating the function of corporate governance and EM through accruals and real activities will benefit from the findings of this study in a variety of ways. The findings provide new information for scholars looking into the impact of corporate governance methods on IM. They can serve as a starting point for looking at the BC's direct role (as the chairman statement preparer) and other corporate governance procedures in IM practices. This study has some limitations that may provide potential research opportunities. First, the sample in this study was restricted to 268 companies that had chairman statements and therefore may not be generalized to other industries that do not have chairman statements. However, the results could be generalized to companies that have chairman statements in Southeast Asian countries that share the same features. Second, this study focused only on one specific corporate governance variable, namely the BC. Other governance monitoring mechanisms such as internal audit function sources and other board sub-committees were not included. All these CG mechanisms might affect IM.

9. Conclusion and limitations of the study

The major goal of this work is to give a thorough assessment of the empirical literature on BC qualities and IM. The impact of BC features on IM is studied in this study. This study used a sample size of 268 firm-year observations. The observations were made for the firms listed on Bursa Malaysia in 2017 and 2018. The primary goal of the research was to establish the relationship between IM and BC features in the chairman statement. This connection is investigated in Malaysia. The agency theory and the signaling theory are used as the research's key hypotheses. The research found a substantial negative connection between CI chairman independence and IM. Chairman tenure and chairman age, on the other hand, have no influence on IM. Finally, there is a considerable positive association between CE chairman ethnicity and IM.

The present study's findings are essential for policymakers and regulators in terms of FRQ policy and strategy creation in the Malaysia setting. Regulators must develop a framework for incorporating IM practices into business financial statements. As a consequence, Malaysian authorities or Bursa Malaysia should take these findings into account and remind AC members about the importance of their involvement in improving FRQ. Controlling IM procedures aids in increasing FRQ in publicly traded firms. The results will also assist regulators in improving management operations in these organizations by reinforcing accountability and transparency. The discrepancy in results between the present research and earlier studies might be attributed to sample size or study time (Zahid *et al.*, 2019). The findings are similar for both metrics, although the quantitative model is significantly weaker. The findings support previous work on IM, showing that qualitative data is ambiguous and readily controlled (Osma and Guillamón-Saorín, 2011). This study makes major contributions to signaling and agency theories by investigating the link between AC properties while the preceding empirical research did not fully investigate these linkages. Furthermore, the findings improved academics' and the general public's awareness of IM practices in Malaysia.

Furthermore, for future research, the present study solely looked at IMSC as a proxy for IM. Individual techniques, such as selectivity, are examples of various methods of practicing IM. As a result, future research should look at whether listed businesses in Malaysia should adopt these techniques or if they should continue to use both ways. Furthermore, because this research focused on BC characteristics, it is suggested that the BOD' characteristics and OS of Malaysian firms listed on IM be investigated. In the future, researchers may explore additional properties of the BC that may have an influence on IM. These features

might include BC remuneration and ownership. Finally, future research might broaden this study to encompass other sectors of the Malaysian market and span a longer time period after the 2017 Malaysian Corporate Governance Code.

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