

Stability of Executive Team and Quality of Earnings Forecasts

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Abstract

This paper takes A-share listed companies from 2010 to 2023 as the research object, and explores how the stability of the executive team affects earnings forecast accuracy. It is found that executive team stability can improve earnings forecast accuracy. Mechanism analysis reveals that executive team stability can improve earnings forecast accuracy by improving the quality of corporate internal control and reducing management overconfidence. The heterogeneity test finds that the promotion effect of executive team stability on earnings forecast accuracy is more significant in state-owned enterprises and mature enterprises. The research in this paper helps to enhance the understanding of executive team stability and provides a new perspective for the capital market and regulators to understand management performance forecasting behaviour.

Keywords

Executive Team Stability; Earnings Forecast Accuracy; Internal Control Quality; Overconfidence.

1. Introduction

High-quality information disclosure is essential for fully protecting the interests of small and medium shareholders, and is a key factor in ensuring the high-quality development of the capital market. As an important component of forward-looking information disclosure, earnings forecasts can effectively alleviate information asymmetry by providing early profit predictions, which play a significant role in guiding investors' decisions. However, in an imperfect capital market, the phenomenon of earnings forecast "flipping" is not uncommon. Companies often make large adjustments to their earnings forecasts, sometimes deviating significantly from previous predictions, which misleads investors' decisions. This misleading information greatly harms the interests of small and medium shareholders, who are often at a disadvantage due to information asymmetry, making it difficult for them to access comprehensive and accurate corporate information. In the context of earnings forecasting, management usually holds significant control and decision-making power. Due to the existence of agency costs, management is likely to manipulate earnings forecasts for personal gain^[1]. Motivations for earnings forecast manipulation may include reducing financing costs, avoiding legal litigation, engaging in insider trading, meeting or exceeding analysts' consensus predictions, or responding to earnings volatility and company size^[2]. Earnings forecast "flipping" often accompanies internal control failures and operational difficulties, which may reveal deeper issues within the company's internal management. Such "flipping" of earnings forecasts not only damages investors' interests but also undermines market credibility, affecting the stability of the capital market. When a company frequently issues low-quality earnings forecasts, investors may become suspicious of its integrity, which not only increases market uncertainty but also leads to negative sentiment toward the company's future development. This can result in sharp fluctuations in the company's stock price, reduce its financing capabilities, and ultimately affect its long-term development.

As the decision-makers of an enterprise, the executive team plays a crucial role in determining the company's strategic decisions and operational management. The stability of the executive

team is vital to the company's long-term development. In recent years, the frequent turnover of senior executives in China's listed companies has become increasingly prominent. This frequent turnover of executives not only causes instability in company operations but also disrupts the harmonious atmosphere of management, hindering the continuity of strategic execution^[3]. According to China's Securities Law, any changes involving one-third or more of a company's directors, supervisors, or managers, or when the chairman or manager is unable to perform their duties, should be treated as a significant event and disclosed, including the cause of the event, its current status, and potential legal consequences. As the core of a company's strategic decision-making and management, the stability of the executive team is under significant external scrutiny. Frequent changes in the executive team can lead to speculations about unclear internal management, an ambiguous strategic direction, and increasing performance pressures, especially when the company's performance declines. Investors may become skeptical about the stability and sustainability of the company's future profits. According to agency theory, a stable executive team typically has a longer tenure, and its personal interests are aligned with the company's long-term interests. In long-term collaboration, a stable executive team is more likely to form shared values and business philosophies, which facilitates information sharing and decision-making transparency. Therefore, a stable executive team tends to make decisions based on the company's long-term interests, reducing self-interested motives and making more robust decisions aligned with the company's sustainable development goals. A stable executive team can significantly impact the quality of a company's earnings forecasts.

Based on this, this paper uses A-share listed companies in China from 2010 to 2023 as a sample to examine the impact of executive team stability on the accuracy of earnings forecasts and reveal the mechanisms behind this influence. The potential contributions of this paper are as follows: First, it enriches the research on the economic consequences of executive team stability, as previous studies have rarely focused on the impact of executive team stability on corporate information disclosure quality. This paper explores its influence on management earnings forecast disclosure from this perspective. Second, it provides new insights into the factors affecting the accuracy of management earnings forecasts, as few studies have examined the impact of executive team characteristics on earnings forecasts. Third, it further explores the mechanisms through which executive team stability affects earnings forecast accuracy, focusing on internal control quality and managerial overconfidence as mediators, thus enriching related research.

2. Literature Review

2.1. Literature on Executive Team Stability

An executive team typically includes the chairman, vice-chairman, CEO, COO, president, senior vice presidents, executive vice presidents, and others. The stability of the executive team refers to the equilibrium state of the interactions among various stakeholders. It primarily includes the stability of team size and team members. This stability is characterized by a period in which no team members leave or change, thus maintaining a relatively stable state^[4]. Executive turnover leads to changes in both the size and composition of the team, which affects the overall stability of the team. Early studies mostly focused on individual changes in executives as a proxy variable, gradually shifting towards research on the overall stability of the executive team.

Existing literature on the economic consequences of executive team stability mainly focuses on its impact on operational performance, corporate innovation, and other factors. Previous research has shown that management changes often have a negative impact on company performance^[5], while a stable executive team can significantly improve company performance^[6]. A long-term stable team is better at managing the innovation process,

especially for tasks involving technological accumulation and strategic transformation, which significantly enhances the company's technological innovation investment^[7]. Additionally, the literature has pointed out that executive team stability affects the quality of corporate information disclosure. A stable executive team helps strengthen team cohesion and mutual trust, reduces agency conflicts, and encourages management to make decisions based on the company's long-term development goals. It also helps curb "greenwashing" in ESG (Environmental, Social, and Governance) practices and effectively avoids strategic information disclosure behaviors by management^[8]. The more stable the executive team, the closer the connection between individuals and the company, which is more conducive to improving the quality of information disclosure, reducing information asymmetry, and effectively curbing misconduct^[9]. Furthermore, the greater the stability of the executive team, the lower the risk of stock price collapse, contributing to a more stable financial market. Therefore, executive team stability not only enhances the quality of corporate information disclosure but also promotes the stable development of the capital market.

2.2. Literature on Earnings Forecasts

Earnings forecasts refer to the advance predictions made by listed companies regarding their performance before the official accounting report is disclosed, aiming to reduce abnormal stock price fluctuations on the report day and release earnings risks in advance^[10]. As an essential component of earnings forecast quality, the accuracy of earnings forecasts improves the reliability of information and enhances the usefulness of decision-making. The accuracy of earnings forecasts refers to the degree of deviation between the forecasted earnings and the actual earnings. The smaller the deviation, the higher the accuracy of the earnings forecast^[11]. As decision-makers in corporate strategy, executives have substantial control over earnings forecasts. Since earnings forecasts provide information about the company's future performance, executives may manipulate the disclosure of earnings forecast information for self-interested purposes, potentially to gain stock profits. Furthermore, due to the separation of ownership and control, as agency costs increase, the accuracy of earnings forecasts tends to decrease^[12].

Existing literature primarily examines the influencing factors of earnings forecasts from the perspectives of internal governance, external environment, and managerial characteristics. Regarding internal governance, executive shareholding can improve the quality of earnings forecast information^[13]. Corporate strategy also significantly impacts the quality of earnings forecasts. The greater the scope of strategic change, the larger the earnings forecast error^[14]. In terms of the external environment, one key factor is the role of regulatory bodies. For example, annual report inquiry letters can enhance the enthusiasm for earnings forecasts and improve forecasting accuracy^[15], while random checks by regulatory authorities can prompt management to improve the quality of earnings forecasts^[16]. Another external factor is the impact of environmental uncertainty. When economic policy uncertainty increases, executives' earnings forecasts tend to become more accurate in terms of the forecast period^[17].

Additionally, literature has explored the influence of managerial characteristics on earnings forecast quality. For instance, female executives tend to improve the accuracy of earnings forecasts^[18]. On the other hand, when executives are excessively confident, they often issue more optimistic earnings forecasts, but their accuracy tends to decrease^[19].

In summary, existing literature has shown that the stability of the executive team significantly impacts both the quality of corporate information disclosure and the stability of the capital market. However, current research primarily focuses on the influence of executive stability on ESG disclosures and has not addressed its effect on the quality of corporate earnings forecasts, which are a form of forward-looking information disclosure. Although existing studies have examined the impact of executives' self-interested motives and managerial characteristics on

earnings forecast quality, little attention has been paid to how the stability of the executive team, as a key characteristic, affects the accuracy of earnings forecasts. Therefore, this paper explores how the stability of the executive team influences earnings forecast accuracy, aiming to provide useful insights for maintaining the stability of the capital market.

3. Theoretical Analysis and Research Hypothesis

3.1. Executive Team Stability and Earnings Forecast Accuracy

Earnings forecasts contain significant information and have an information transmission effect, with the market reacting more strongly to "bad news" forecasts than to "good news". Earnings forecasts provide investors with time to make decisions in advance^[20]. Higher quality earnings forecasts help alleviate information asymmetry and increase investor trust in the company. According to the Upper Echelons Theory, executives are the decision-makers for corporate strategy and influence organizational performance through these decisions. As managers of the company, the executive team has considerable control over earnings forecasts and can affect the quality of these forecasts.

According to the Principal-Agent Theory, the separation of ownership and control inevitably creates agency problems. As agents, the management team may be driven by self-interest, which could reduce the accuracy of earnings forecasts. For example, management might manipulate earnings forecasts for personal gain, thus exacerbating information asymmetry and damaging the interests of minority shareholders^[21]. Furthermore, when faced with "bad news," management is likely to manipulate earnings forecasts to align with market expectations, avoiding large fluctuations in stock prices and reducing the negative impacts of market instability on the company. Frequent turnover of executives means that they cannot enjoy the long-term benefits of the company, which may lead them to pursue short-term personal gains, such as manipulating earnings forecasts for their own benefit. In contrast, a stable executive team can effectively alleviate agency problems, as they are expected to stay in their positions for a longer period, which aligns their personal interests with the company's long-term interests. A stable executive team will focus more on the long-term development of the company, rather than solely on short-term personal benefits. They are more likely to make decisions based on the company's long-term interests, thereby reducing self-serving behaviors. Therefore, to achieve sustained and stable returns, a stable executive team is more willing to improve the accuracy of earnings forecasts.

According to the Reputation Theory, reputation reflects the performance and decisions of the management team. In order to achieve long-term benefits, management will actively maintain a good reputation in information-asymmetric markets. A good reputation can bring significant competitive advantages to the company, helping it to gain more resources, attract high-quality talent, and increase investor attention, thus promoting stable and sustainable development in the market. Given that a stable executive team is expected to have a longer tenure, they will be more focused on the company's sustainable development and tend to maintain consistency and transparency in information disclosure. To gain investor trust, attract more cooperation opportunities, and acquire quality resources, a stable executive team will pay more attention to the company's reputation. Large deviations in earnings forecasts can have a negative impact on the company, increasing stock price volatility and reducing the trust of investors, clients, and others, which in turn weakens the company's financing ability. Moreover, in the face of complex and changing market conditions, high-quality earnings forecasts can provide more reliable decision-making information for investors and enhance their trust in the company. To protect the company's long-term interests and reduce uncertainty risks, a stable executive team is crucial. A stable executive team can form strong cohesion and place greater emphasis on forward-looking information disclosure. By working to reduce the gap between predicted and

actual performance, they can improve the accuracy of earnings forecasts. Therefore, this paper proposes the following hypothesis:

H1: Executive team stability increases the accuracy of earnings forecasts.

3.2. Executive Team Stability, Internal Control Quality, and Earnings Forecast Accuracy

As the makers of corporate strategic decisions, the more stable the executive team is, the more aligned the personal interests of executives are with the long-term interests of the company, which helps avoid the trap of short-termism. To maintain the sustainable development of the company, a stable executive team has a stronger motivation to improve the quality of the company's internal control. A stable executive team can establish a comprehensive internal control system by effectively improving the corporate governance structure and optimizing the internal environment. Through risk assessment and control measures, the company can identify and manage risks in a timely manner. In addition, internal control places greater emphasis on information and communication mechanisms, thereby prompting the company to enhance the quality of information disclosure and reduce information asymmetry with stakeholders. The internal supervision mechanism enables the company to promptly identify internal control defects and ensure that internal control remains effective. A stable executive team, with a long-term strategic focus, can enhance the quality of internal control, and high-quality internal control contributes to improving the accuracy of earnings forecasts. Therefore, this paper proposes the following hypothesis:

H2: Executive team stability can enhance earnings forecast accuracy through the improvement of internal control quality.

3.3. Executive Team Stability, Managerial Overconfidence, and Earnings Forecast Accuracy

Managerial overconfidence leads to an overestimation of one's abilities and the accuracy of predictions, while underestimating the occurrence of risk events, thus increasing the likelihood of corporate violations^[22]. Overconfidence often results in decision-making errors by management, which in turn increases business risks. In the face of a complex and ever-changing market environment, overconfident management may overly optimistically anticipate the company's future performance, thereby ignoring potential risks and adopting aggressive business strategies, leading to higher risks and uncertainties for the company. A stable executive team, due to its long-term collaboration and trust among members, strengthens communication, and through effective internal communication mechanisms, can avoid the biases introduced by overconfidence. Additionally, a stable executive team can foster cohesion, and under the drive of common goals, team members can effectively reduce agency conflicts, improve decision-making consistency, and avoid decision biases caused by managerial overconfidence. As decision-makers, the executive team can control and influence the quality of management's earnings forecasts. A stable executive team can enhance management decision-making robustness by reducing managerial overconfidence, thus minimizing forecast bias and improving earnings forecast accuracy. Therefore, this paper proposes the following hypothesis:

H3: Executive team stability can enhance earnings forecast accuracy by reducing managerial overconfidence.

4. Research Design

4.1. Sample Selection and Data Sources

This study uses A-share listed companies in China from 2010 to 2023 as the research sample. The following screening criteria were applied: excluding firms in the financial industry; excluding ST companies; excluding firms with missing data. After applying these filters, the final sample consists of 18,991 firm-year observations. The data is obtained from the Wind and CSMAR databases. To mitigate the impact of extreme values, continuous variables are winsorized at the 1% level on both ends.

4.2. Variable Definitions

4.2.1. Dependent Variable

The dependent variable in this study is the earnings forecast accuracy of listed companies. Following the methodology of He Weifeng^[23], earnings forecast accuracy (Accuracy) is measured by the absolute difference between the forecasted net profit and the actual net profit. The specific formula is:

$$\text{Accuracy} = \left| \frac{\text{Median of Forecasted Net Profit} - \text{Actual Net Profit}}{\text{Beginning of Period Market Value}} * 100 \right|$$

A smaller Accuracy value indicates higher earnings forecast accuracy.

4.2.2. Independent Variable

The independent variable in this study is the executive team stability. Following the research of Zhang Zhaoguo^[24], executive team stability is measured by considering both changes in the total number of executives and individual turnover within the team. The total number of executives refers to the total number of executives listed in the annual report, excluding independent directors and external directors. It includes the chairman, directors, general manager, vice general managers, etc. The formula used for calculating executive team stability is as follows:

$$\text{STMT}_{t, t+1} = \frac{M_t - \#(St / St+1)}{M_t} * \frac{M_{t+1}}{M_t + M_{t+1}} + \frac{M_{t+1} - \#(St+1 / St)}{M_{t+1}} * \frac{M_t}{M_t + M_{t+1}}$$

In the formula, STMT represents the stability of the executive team, with a value range of [0, 1]; the larger the value, the stronger the stability of the executive team. M_t and M_{t+1} represent the total number of executives in year t and year $t+1$, respectively. $\#(St / St+1)$ represents the number of executives leaving in year $t+1$, and $\#(St+1 / St)$ represents the number of new executives in year $t+1$.

4.2.3. Control Variables

To control for other factors that might affect earnings forecast accuracy, the following control variables are included in the analysis: scale of listed company, leverage, ROA, board size, proportion of independent directors, CEO-chair duality, tobinQ, big four audit, institutional ownership, ownership concentration. The model also controls for firm-specific and year-specific fixed effects.

Table 1. Variable Definitions

Variable type	Variables' name	Signs	Measurements
Dependent variable	Earnings forecast accuracy	Accuracy	Calculated based on the earnings forecast accuracy model
Independent variable	Executive team stability	STMT	Calculated based on the executive team stability model
Moderating variables	Scale of Listed Company	Size	Ln (total assets at the beginning of the year)
	Leverage	Lev	Total liabilities/total assets
	ROA	ROA	Net profit/total assets balance
	Board size	Board	ln(Number of Directors)
	Proportion of independent directors	Indep	Independent Directors/Total Directors
	CEO-Chair duality	Dual	1 if CEO and Chair are the same, 0 otherwise
	TobinQ	TobinQ	Tobin's Q value
	Big Four audit	Big4	1 if audited by an international Big Four firm, 0 otherwise
	Institutional ownership	Ins	Proportion of shares held by institutional investors
	Ownership concentration	Top1	Shareholding ratio of the largest shareholder
	Year	Year	Year dummy variables
	Firm	Firm	Firm dummy variables

4.3. Model Construction

$$\text{Accuracy}_{i,t} = \alpha_0 + \alpha_1 \text{STMT}_{i,t} + \alpha_2 \text{Control}_{i,t} + \sum \text{Firm} + \sum \text{Year} + \varepsilon_{i,t}$$

Accuracy_{i,t} is the dependent variable, representing the forecast accuracy of company i in year t. The smaller this value, the higher the accuracy of the company's performance forecast. STMT_{i,t} is the independent variable, representing the stability of the executive team. The larger this value, the more stable the executive team. $\sum \text{Firm}$ and $\sum \text{Year}$ represent firm and year fixed effects, respectively. $\varepsilon_{i,t}$ is the random error term.

5. Empirical Analysis Results

5.1. Descriptive Statistics Analysis

Table 2. Descriptive Statistics Results

Variable	Obs	Mean	Std	Min	Median	Max
Accuracy	18991	0.381	0.605	0.002	0.176	3.920
STMT	18991	0.901	0.116	0.469	0.938	1.000
Size	18991	22.094	1.179	19.978	21.911	25.800
Lev	18991	0.414	0.206	0.052	0.404	0.913
ROA	18991	0.030	0.074	-0.258	0.031	0.236
Board	18991	2.222	0.169	1.792	2.303	2.639
Indep	18991	0.377	0.053	0.333	0.364	0.571
Dual	18991	0.323	0.468	0.000	0.000	1.000
TobinQ	18991	2.093	1.297	0.861	1.678	8.344
Big4	18991	0.041	0.198	0.000	0.000	1.000
Ins	18991	0.390	0.245	0.003	0.392	0.893
Top1	18991	0.322	0.141	0.081	0.299	

Table 2 reports the descriptive statistics of the variables used in this study. The results show that the mean stability of the executive team is 0.901, indicating that, overall, the executive teams are quite stable. However, there are also companies with frequent changes in their executive teams. The mean forecast accuracy is 0.381, with a median of 0.176, which is relatively low, suggesting that performance forecasts of listed companies in China tend to be highly accurate. The minimum value is 0.002, and the maximum value is 3.920, indicating significant variation in the accuracy of performance forecasts in China. Other variables are generally consistent with prior studies.

5.2. Regression Analysis

The regression results are shown in Table 3. Column (1) reports the baseline regression results for the stability of the executive team and the quality of management's performance forecast without control variables; Column (2) presents the results after adding control variables. The regression results show that the stability of the executive team is significantly negatively correlated with the accuracy of management's performance forecast at the 1% level, indicating that the stability of the executive team can effectively improve the accuracy of management's performance forecasts, thus confirming the hypothesis.

Table 3. Regression results

Variables	(1)	(2)
	Accuracy	Accuracy
STMT	-0.147*** (-3.65)	-0.114*** (-2.90)
Size		0.081*** (6.46)
Lev		0.273*** (5.99)
ROA		-1.893*** (-24.09)
Board		0.121** (2.06)
Indep		0.491*** (3.13)
Dual		0.010 (0.66)
TobinQ		-0.001 (-0.10)
Big4		-0.057 (-1.29)
Ins		0.087* (1.70)
Top1		-0.061 (-0.73)
_cons	0.505*** (9.65)	-1.709*** (-5.53)
<i>N</i>	18991	18991
<i>Firm/Year</i>	Yes	Yes
<i>R</i> ²	0.019	0.073

Note: ***, ** and * indicate that the regression coefficients are significant at the level of 1%, 5% and 10%, respectively.

5.3. Robustness Check

5.3.1. Replacing the Dependent Variable

Referring to the relevant study by Song Yunling^[25], the accuracy of management's performance forecast is re-measured. The new measure is defined as: $\text{Accuracy2} = \text{Abs}(\text{Median of net profit forecast range} - \text{Actual net profit}) / \text{Opening total assets} \times 100$. A smaller Accuracy2 value indicates higher forecast accuracy. The results in Column (1) of Table 4 show that the stability of the executive team is significantly negatively correlated with the accuracy of management's performance forecast at the 1% level. This indicates that, after replacing the dependent variable, the conclusion that the stability of the executive team improves the accuracy of management's performance forecasts still holds.

5.3.2. Propensity Score Matching (PSM)

To mitigate the impact of sample selection bias on the results, Propensity Score Matching (PSM) is used for robustness testing. The median stability of the executive team is used as the threshold to construct a dummy variable (DSTMT) to differentiate between the experimental and control groups. All control variables are treated as covariates, and propensity scores are calculated using the Logit model. A 1:3 nearest neighbor matching approach is applied for the test. The regression is re-performed on the matched sample. The results in Column (2) of Table 4 show that the coefficient of executive team stability is -0.132, which is statistically significant at the 1% level and passes the balance test, indicating that the matched results are robust.

5.3.3. Considering Industry-Year Trends

Since management's performance forecasts may be affected by industry cyclical fluctuations and economic policies, industry-year interaction fixed effects are introduced in the regression based on the baseline model. The regression results in Column (3) of Table 4 show that, after controlling for industry-year interaction fixed effects, the stability of the executive team remains significantly negatively correlated with the accuracy of management's performance forecast at the 1% level. This suggests that the stability of the executive team improves the accuracy of management's performance forecasts, and the conclusion of the baseline regression remains significant.

Table 4. Robustness Check

Variables	Replacing Dependent Variable	PSM	Considering Industry-Year Trends
	(1)	(2)	(3)
STMT	-0.243*** (-3.57)	-0.132*** (-3.29)	-0.106*** (-2.68)
_cons	-2.317*** (-4.31)	-1.685*** (-5.29)	-1.969*** (-6.16)
N	18991	17444	18348
Controls	Yes	Yes	Yes
Firm/Year	Yes	Yes	Yes
R ²	0.050	0.367	0.377

5.4. Mechanism Test

5.4.1. Internal Control Quality

The internal control data in this study mainly come from the DIB database. The internal control scores disclosed in the DIB database are divided by 100 to obtain the Internal Control Effectiveness Index (IC). The larger the value of this index, the more effective the internal control. Columns (1) ~ (3) of Table 5 report the results of the mediation effect regression. The regression result in Column (1) shows that the estimated coefficient of executive team stability

is significantly negative, indicating that executive team stability can improve the accuracy of management's performance forecasts. In Column (2), the coefficient of executive team stability is 0.173 and is statistically significant at the 5% level, suggesting that the stronger the executive team stability, the higher the quality of the internal control. The regression result in Column (3) shows that both the estimated coefficients for executive team stability and internal control quality are significantly negative at the 1% level, indicating that internal control quality mediates the relationship between executive team stability and management's performance forecast accuracy. Additionally, the Sobel test results show a significant negative Sobel Z-value, further supporting the conclusion.

5.4.2. Managerial Overconfidence

Referring to the study by Jiang Fuxiu^[26], managerial overconfidence (CON) is measured by the ratio of the total compensation of the top three highest-paid executives to the total compensation of all executives. A higher value indicates greater managerial overconfidence. Columns (4) ~ (6) of Table 5 report the results of the mediation effect regression. Column (4) shows the baseline regression results. The regression result in Column (5) shows that the coefficient for managerial overconfidence is significantly negative at the 1% level, indicating that executive team stability can reduce managerial overconfidence. The regression result in Column (6) shows that both the estimated coefficients for executive team stability and managerial overconfidence are significantly negative at the 1% level, suggesting that managerial overconfidence plays a partial mediating role in the relationship between executive team stability and management's performance forecast accuracy. Additionally, the Sobel test shows a significant negative Z-value, indicating that executive team stability can reduce managerial overconfidence and thus improve the accuracy of performance forecasts.

Table 5. Mechanism Test

	(1)	(2)	(3)	(4)	(5)	(6)
	Accuracy	IC	Accuracy	Accuracy	CON	Accuracy
STMT	-0.114*** (-2.90)	0.173** (2.35)	-0.107*** (-2.73)	-0.114*** (-2.90)	-0.068*** (-8.34)	-0.106*** (-2.71)
IC			-0.039*** (-9.01)			
CON						0.106*** (2.72)
_cons	-1.709*** (-5.53)	5.110*** (8.80)	-1.511*** (-4.89)	-1.709*** (-5.53)	1.520*** (23.70)	-1.870*** (-5.95)
N	18991	18991	18991	18991	18991	18991
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm/Year	Yes	Yes	Yes	Yes	Yes	Yes
R ²	0.073	0.153	0.078	0.073	0.059	0.074
Sobel Z	-6.77***			-5.41***		

5.5. Heterogeneity Analysis

5.5.1. Heterogeneity of Ownership Structure

When the ownership structure of an enterprise differs, there are variations in its financing ability, executive tenure, and other factors. Therefore, this study examines the impact of executive team stability on the accuracy of earnings forecasts in state-owned and non-state-owned enterprises. The regression results in Table 6 show that in state-owned enterprises, the coefficient for executive team stability is -0.283, which is statistically significant at the 1% level,

indicating that executive team stability can improve the accuracy of earnings forecasts in state-owned enterprises. In non-state-owned enterprises, however, the relationship between executive team stability and management's earnings forecast accuracy is not significant. This may be because state-owned enterprises typically face lower financing constraints, and stable executive teams have a stronger incentive to enhance stakeholder trust and improve earnings forecast quality. In contrast, non-state-owned enterprises generally face higher financing constraints, and management may manipulate earnings forecasts for purposes such as financing. Thus, executive team stability does not significantly affect the quality of earnings forecasts in non-state-owned enterprises. On the other hand, it is possible that in state-owned enterprises, executive changes are usually appointed by the government, leading to more stable executive teams compared to non-state-owned enterprises. As a result, executive team stability has a stronger positive effect on management's earnings forecast quality in state-owned enterprises.

5.5.2. Heterogeneity of Corporate Life Cycle

Enterprises at different stages of their life cycle exhibit distinct differences in organizational structure, business environment, profitability, financing ability, and other factors. Therefore, this paper examines the impact of executive team stability on the accuracy of management's earnings forecasts during the growth, maturity, and decline stages of the company. The regression results in Table 6 show that when an enterprise is in the maturity stage, executive team stability is significantly negatively correlated with earnings forecast accuracy at the 1% level, indicating that executive team stability can improve the accuracy of management's earnings forecasts. However, when the enterprise is in the growth or decline stage, the promoting effect of executive team stability on the accuracy of earnings forecasts is not significant. This is mainly because, during the maturity stage, the enterprise has abundant and stable resources, strong resource allocation capabilities, ample capital, a certain market position, and competitive advantages, resulting in stable profitability. A stable executive team is more willing to improve the accuracy of earnings forecasts to maintain the company's sustainable operation, keep stable profits, and avoid negative impacts on the company's reputation. In contrast, when the enterprise is in the growth stage, its scale is expanding rapidly, and the company faces higher risks. With relatively higher capital demands, management may manipulate earnings forecasts due to market competition or other reasons. Hence, executive team stability may not significantly improve earnings forecast accuracy. When an enterprise is in the decline stage, its profitability becomes unstable, sales and profits decline significantly, and resources are tight. To conceal the crisis, management is likely to manipulate earnings forecasts to minimize adverse effects. At this stage, due to the industry's decline, the stability of the executive team also decreases further, so the impact of executive team stability on earnings forecast accuracy is not significant in companies during the decline stage.

Table 6. Heterogeneity Test

Variables	Ownership Structure		Corporate Life Cycle		
	(1) State-Owned Enterprises	(2) Non-State-Owned Enterprises	(3) Growth Stage	(4) Maturity Stage	(5) Decline Stage
STMT	-0.283*** (-4.00)	0.028 (0.58)	-0.025 (-0.39)	-0.175*** (-3.05)	-0.089 (-0.74)
_cons	-1.877*** (-2.88)	-1.649*** (-4.48)	-1.787*** (-3.59)	-0.875* (-1.79)	-1.646 (-0.90)
N	5144	13385	9175	9136	670
Controls	Yes	Yes	Yes	Yes	Yes
Firm/Year	Yes	Yes	Yes	Yes	Yes
R ²	0.049	0.086	0.058	0.111	0.285

6. Conclusion and Suggestions

6.1. Conclusion

This study uses A-share listed companies from 2010 to 2023 as samples to examine the impact of executive team stability on the accuracy of management earnings forecasts, as well as the mediating roles of internal control quality and managerial overconfidence. The findings indicate that executive team stability can improve the accuracy of earnings forecasts. This conclusion holds true even after substituting the dependent variables, using propensity score matching, and considering the annual industry trends. Through mechanism analysis, it is found that executive team stability enhances earnings forecast accuracy by improving internal control quality and reducing managerial overconfidence. Heterogeneity tests reveal that the positive effect of executive team stability on the accuracy of management earnings forecasts is more significant in state-owned enterprises and mature companies.

6.2. Suggestions

Based on the research findings, this paper offers the following suggestions:

First, companies should fully recognize the strategic value of executive team stability. By managing the stability of executive members, companies can align personal goals with the long-term development strategy of the business, reduce management's short-sightedness, and encourage management to actively improve the quality of forward-looking information disclosure, thereby effectively enhancing investor trust and maintaining market reputation.

Second, to maintain the stability of the capital market, regulatory authorities should strengthen supervision of corporate information disclosure quality. First, they should enhance oversight of companies with frequent executive turnover, improving the detail and timeliness of disclosures related to executive changes to promptly identify risks. Second, they should strengthen the supervision of management's earnings forecasts, encouraging listed companies to disclose more detailed earnings forecast information. By establishing a sound information disclosure system, information asymmetry can be effectively alleviated, and investor interests can be effectively protected.

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