



CHIEF EXECUTIVE OFFICERS' TRAITS AND INVENTORY MANAGEMENT IN NIGERIA CONSUMER GOODS COMPANIES

EGBERI, Onyeyime Edith (PhD)
Department of Entrepreneurship,
Delta State University of Science and Technology,
Ozoro, Nigeria

Abstract

This study employed the entrepreneurial perspective in assessing the relationship between CEO traits and inventory management in Nigeria. To do this, ex-post facto design was used and secondary data comprising educational background, tenure of office and expertise of CEOs and inventory management were obtained from the annual reports and accounts of ninety (19) quoted consumer goods companies in Nigeria. Data obtained were assessed using multiple regression models. Findings revealed that all the CEOs traits had positive significant relationship with inventory management. This result implies that when companies CEOs are innovative and creative with the use of their educational background and other traits, the management of inventories becomes efficiently done. The study recommends that companies should strive towards securing the services of well educated, experienced, and tenured CEOs to run the affairs of their business; this is so because the more qualified CEOs are, the more output organizations are probable to obtain. In addition, CEOs must have suitable and viable policies aimed at improving the functionality of inventory management practices.

Keywords: *Chief executive officers; Inventory management; CEO traits; CEO expertise; CEO tenure of office; CEO educational background; Consumer goods firms;*

Introduction

In recent times, the role of chief executive officers (CEOs) in stirring organizations toward attaining efficient inventory management and broad-based performance has become a vital concern for the boardroom; this view as observed by Aguilera, Filatotchev, Gospel and Jackson (2022) is epitomized by the numerous accounts of small, medium and large-sized organizations that failed to survive in the face of inefficient inventory management. The fact is CEOs are tasked with the role of managing the operations of the business and this role becomes unattainable when they lack certain traits (Akinwale & Ajide, 2020; and Ahmad, Sadiqa & Khan, 2021).

The CEOs traits are numerous and they range from their educational background, skills, experience, tenure of office, expertise and broad-based knowledge about the aggregate operations of the enterprise (Akinwunmi, Jelil & Ayooluwa, 2019; Akinwale & Ajide, 2020; Okeke & Onuora, 2020; and Ahmad, et al, 2021). Reinforcing the views *inter-alia*, Çakir and Küçük Kaplan (2020); Dean (2019); and Okoro (2014) contended that CEOs competency is essential for them to be able to manage

inventories, assets and other operations of the enterprise. Thus, CEO traits are strong dynamics in influencing efficient management of inventories.

Lunkes, et al (2019); and Dean (2018) asserted that CEOs traits are prerequisites, as they form part of the overall style of leadership they need to be considered when hiring them. CEOs traits refer to the internal and external qualities chief executive officers bring to the organization. On the other hand, inventory management is a process of monitoring, and controlling the inventory levels in order to know the levels at which inventories should be replenished and when large order of inventories should be made by organizations (Chen, Fanny, Ellen & Dan, 2016; and Abbas Ibrahim & Isiaka, 2021).

According to Okeke and Onuora (2020); and Saidu (2019), traits like expertise, dedication, educational background, tenure of office, skills among others can in no small measure help enhance inventory management efficiency of organizations. Entrepreneurs believed that since the numbers of small, medium and large-sized enterprises have been on the increase, organizations have been compelled to have CEOs that can further help them survive, and

gain competitive advantage via their innovative and creative skills (Iliyasu, Nasir & Umar, 2020; and Fujianti, 2018); thus, without having suitable traits, organizations would perhaps face inventory management problems

Notably, while we acknowledged that there are robust empirical evidences indicating that CEO traits enhance organizational performance, there are pretty insignificant studies that had shown whether CEOs traits will affect inventory management practices of consumer goods companies in Nigeria. It is in the heart of this that this study seeks to examine how certain CEO traits (educational background, expertise, and tenure office) affect inventory management of consumer goods companies quoted on the floor of the Nigerian Exchange Group. The remaining part of this paper is divided into the Review of Related Literature; Methods; Results and Discussions; Conclusion and Recommendations.

Review Of Related Literature

CEOs Traits

Chief Executive Officers (CEOs) are one of the critical players in corporate organizations and they sit at the top of managerial position. One of their predominant functions is to guide the organization to actively pursue opportunities, control the structures and devise strategies aimed at enhancing the business operations (inventory management inclusive) (Arumona, Erin., Onmonya & Omotayo, 2019; Iliyasu, Nasir & Umar, 2020; Osazevbaru & Yahaya, 2021; and Sobhan, 2021). According to Aguilera, Filatotchev, Gospel and Jackson (2022); Saidu (2019); and Oyedokun (2019), CEOs pursue strategic decisions that influence performance as well as the management of organizations' inventories.

The most important traits of the CEOs that can help organizations sustain their inventory management practices is their expertise, educational background, tenure of office, among others (Ahmad, Sadiqa & Khan, 2021; Lunkes, et al, 2019; and Fujianti, 2018). In other words, CEO traits are the qualities chief executive officers bring to the organization. Akinwole and Ajide (2020); Nzimakwe (2021) believed that the traits of CEOs are critical to the success or breakdown in the management of inventory.

From entrepreneurial and economic perspectives, CEOs might apply several techniques of managing inventory and these techniques are driven to avoid organizations wasting their

inventories, believing that one of the key entrepreneurial thought about organizations is their ability to be innovative and creative in the management of inventories. This entrepreneurial and economic thought why organizations should be innovative and creative led to some of the reasons why most organizations seek to have CEOs with traits that are marketable.

Prior studies (Atty, Moustafasoliman & Youssef, 2018; Akinwunmi, Jelil & Ayooluwa, 2019; Akinwole & Ajide, 2020; Okeke & Onuora, 2020; and Ahmad, et al, 2021) have shown that organizations hiring CEOs with marketable traits seem to do better in their inventory management than those organizations whose CEOs traits are not marketable. Notably, in the management literature, there have been little or no studies that had assessed the relationship between CEOs traits and inventory management of consumer goods companies in Nigeria. Owing to this gap in the management literature, this study attempts to use three (3) CEOs traits (CEO expertise, educational qualification and tenure of office) in assessing their relationship with inventory management practices of some selected consumer goods companies in Nigeria.

Inventory Management

The term 'inventory; has been extensively defined in the management literature. As noted by Çakir and Küçükkaplan(2020) inventories are compositions of raw materials, work-in-progress and finished goods that appear at diverse points throughout an organization's production and logistics channel. Similarly, Demireli, Başçi and Karaca (2019); Okoro (2016) see inventory as stocks of items or resources employed in an organization defined inventory as stored and accumulated material resources used in the production processes.

In management, emphasis on inventories has been on how they are efficiently managed by organizations. Thus, inventory management refers to the systematic process of controlling and monitoring the levels of inventory and determining what levels of inventories that should be maintained, replenished and when large order should be made by organizations (Chen, Fanny, Ellen & Dan, 2016).

The entrepreneurial perspective on inventory management is how the CEOs are able to be innovative and creative in the use of inventories in order to avoid wastages and be able to realize the goals of the organization. Hence, consumer goods companies will strive to hold and manage inventories in order to sustain the organization's

daily operations at minimum costs (Etale & Bingilar, 2018).

According to Çakir and Küçük Kaplan (2020), the management of inventory covers issues like determining the inventories levels to order, at what point to order, evaluating receipts and inspections procedures of inventories as well as providing proper storage facilities. Chen, et al (2016) asserted that organizations who hire CEOs that are well experienced and knowledge in inventory matters will do better than those that do not have well experienced CEOs.

The experience of these CEOs as opined by Fujianti (2018) usually emanate from their educational background, expertise and tenure of office (i.e. number of years they have stayed and remained with the organization). Ilyasu, et al (2020) contended that without proper CEOs traits, organizations are likely to face two (2) undesirable inventory levels: excessive/high or inadequate/low inventories level.

Furthermore, to ensure that organizations are able to manage their inventories level, well educated, skilled and tenured CEOs would engage in a number of inventory management practices in order to handle inventory costs (Chen, et al, 2016). According to Cakir and Küçük Kaplan (2020), some of the inventories management practices used by well tenured, skilled and educated CEOs include but not limited to inventory planning and scheduling, inventory recording, inventory valuation (the use of inventory valuation methods like first-in-first-out, last-in-first-out, weighted average cost, etc), physical inventory counts, and inventory control. The goal of which is to ensure that inventories are available in the production units at any time they are need in order to ensure that the organization is not stock-out of inventories.

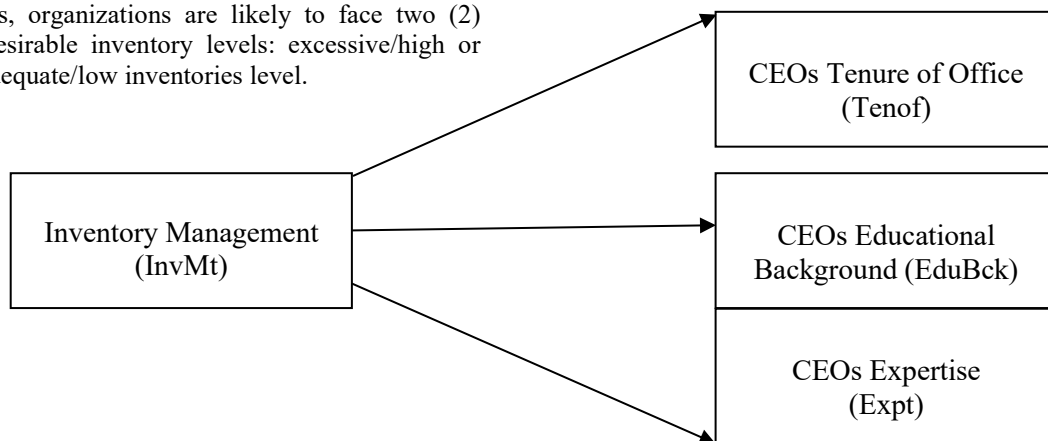


Figure 1: Conceptual Model of the Study Conceptualized by the Researcher (2023)

Figure 1 conceptualized the relationship between CEOs traits (tenure of office, expertise, and educational background) and inventory management; the conceptual model of the study was used as a basis for estimating for the empirical model of the study.

Theoretical Underpinning

The theoretical framework of this paper is underpinned on the transformational leadership theory (TLTT) which was advocated by James Downton in 1973. The TLTT explains that organisations’ success in their operation is largely dependent on the traits or capabilities of the leader; in this context, the leader is considered as the chief executive officers (CEOs) who are seen as leaders in the organization (Al-Khajeh, 2018; and Bass, 2019). According to Bittner (2018), the leaders or CEOs traits or capabilities are most probable to bring the best out of employees, and be able to manage inventories in the most efficient way in order to enhance the stakeholders’ wealth.

Kenneth and Brian (2018) opined that transformational leaders inspire positive changes in the organization and ensure that followers (workforce) are able to identify changes required in the operations of the business, create a vision via inspiration, and execute changes with a group of highly committed workforce that can promote the inventory management practices of the organization.

The relevance of the TLTT to this current study is that transformational leader focuses on how they can use their traits (educational background, skills, expertise, tenure of office, etc) to drive organizational success. TLTT has become a popular paradigm in management literature because it centres on intrinsic motivations followers see in their leaders in era of difficulties (Butler Jr., Cantrell & Flick, 2019; Dean, 2019;

and Arnold, 2017). Besides, transformational leadership style ensures that the workforce is well supervised in order to realize the inventory management goal of the organization.

Methods

This study employed the ex-post facto research design in examining whether certain CEOs traits (expertise, educational background and tenure of office) significantly impact on inventory management of consumer goods companies in Nigeria. The study population consists of all consumer goods companies quoted on the floor of the Nigerian Exchange Group (NGX)L given the small nature of the subsector, all the ninety

(19) consumer goods companies on the NGX were sampled.

Furthermore, secondary data on inventory management (proxied by the natural logarithm of the costs of inventories), and CEOs traits (proxied by CEOs tenure of office, expertise, and educational background) were obtained and computed from the annual reports and accounts of the consumer goods companies from 2012-2022. Data obtained were analyzed via descriptive statistics (mean, standard deviation and Pearson correlation), diagnostic statistics (variance inflation factor) and inferential statistics (multiple regressions model). In view of the above, the following regression model was estimated:

$$InvMt = f(Tenof, Edubck, Expt) \quad - \quad eq. 1$$

Equation 1 is the implicit form of the relationship between CEOs traits and inventories management. Arising from equation, 1, equation 2 was estimated in its explicit:

$$InvMt_{it} = \delta_0 + \delta_1 Tenof_{it} + \delta_2 Edubck_{it} + \delta_3 Expt_{it} + U_t \quad eq. 2$$

Where: δ_1, δ_2 and $\delta_3 > 0$; $InvMt$ = Inventory management (natural logarithm of inventory cost); $Tenof$ = Tenure of office (years CEOs has remained in the organization); $Edubck$ = Educational background (highest educational qualification of CEOs); and $Expt$ = Expertise (expertise of CEOs); U_t = Error Term; δ_1, δ_2 and δ_3 = Coefficients of the independent variables. The statistical analysis was done via STATA 13.0 software.

Results And Discussions

Table 1: Cumulative Mean Results for CEO Traits and Inventory Management

Parameters	Mean	Remark
Inventory Management (InvMt)	3.16	Significant
Tenure of Office (Tenof)	3.07	Significant
Educational Background (Edubck)	3.04	Significant
Expertise (Expt)	2.99	Significant

Source: Researcher's Computation (2023); *Mean Criterion = 2.50, N = 190;

From Table 1, it was shown that all the CEO traits and inventory management dimensions had mean exceeding 2.5. Hence, there is good

evidence to show that the CEO traits and inventory management ratings of the sampled consumer goods companies are high.

Table 2: Pearson Correlation Results for CEO Traits and Inventory Management

Parameters	InvMt	Tenof	Edubck	Expt
InvMt	1.0000			
Tenof	0.0334	1.0000		
Edubck	0.0247	0.0350	1.0000	
Expt	0.0417	0.0600	0.0510	1.0000

Source: Researcher's Computation (2023)

The Pearson Product Moment Correlation was used to ascertain the relationship between the dependent variable (inventory management) and CEO traits (tenure of office, expertise and educational background of CEOs). The results

indicated that there is positive link between all the CEO traits and inventory management. Also, none of the correlation coefficient of Pearson exceeded 0.8; thus there is evidence that there is

the absence of multicollinearity among the pairs of the independent variables of the study.

Table 3: VIF Results for CEO Traits and Inventory Management

Parameters	Mean	1/VIF
CEO Tenure of Office	1.011	0.9891
CEO Educational Background	1.020	0.9803
CEO Expertise	1.120	0.8928
Mean VIF	1.050	

Source: Researcher's Computation (2023)

From Table 3, it was shown that the mean VIF(1.05) is less than 10.0, indicating that there is evidence to confirm the nonexistence of multicollinearity among pairs of independent variables of the study. Hence, the datasets of the study are good to perform inferential statistical test.

Table 4: Regression Results for CEO Traits and Inventory Management

Estimator	Predictor Variables: Tenof; Edubck; Expt
R-Squared	0.8495
R-Squared Adj.	0.7780
F-Value	15.940
Prob. F	0.0000

Source: Researcher's Computation (2023)

In Table 4, the R^2 is 0.8495, indicating that the traits of CEOs explained 84.95% of the systematic variation in inventory management of the consumer goods companies on the floor of the NGX. Consequently, the model of CEO traits and inventory management provides a good fit to the dataset of the study.

Furthermore, the f-values are 15.940; the result showed that the CEO traits significantly affect inventory management. Impliedly, CEO traits (of educational background, expertise, and tenure of office) play a major role in influencing inventory management of consumer goods companies on the floor of the NGX. The result of the study agrees with those of Arumona, et al (2019); Iliyasu, et al (2020); Osazevbaru and Yahaya (2021); and Sobhan, (2021) who found that CEO traits play major roles in influencing organizational outcomes.

Conclusion and Recommendations

The study investigated the relationship between CEO traits and inventory management of quoted consumer goods companies on the floor of the Nigerian Exchange Group (NGX). In this study, three (3) CEO traits (educational qualification, tenure of office and expertise) were obtained from the annual reports and accounts of ninety (19) consumer goods companies from 2012-2022. The data obtained were analyzed using multiple regression models. Findings revealed that CEO traits (educational qualification, tenure of office and expertise) significantly and positively influence inventory management

practices of consumer goods companies in Nigeria.

The study concludes that CEO traits matter for the efficiency in inventory management of consumer goods companies in Nigeria. Given the findings, it was recommended that consumer goods companies should strive towards securing the services of well educated, experienced, and tenured CEOs to run the affairs of the organization. This is so because the more qualified the CEO is the more the output that the organization is likely to obtain. Additionally, CEOs must develop suitable and viable policies aimed at improving the functionality of their inventory management practices. More importantly, the composition of the CEOs should be based on their educational background, expertise and tenure of office

References

- Abbas Ibrahim, U. & Isiaka, A. (2021). Working capital management and financial performance of non financial quoted companies in Nigeria. *International Journal of Research in Business and Social Science*, 10(3), 241–258.
- Aguilera, R.V., Filatotchev, I., Gospel, H. & Jackson, G. (2022). An organizational approach to comparative corporate governance: costs, contingencies, and complementarities. *Organization Science*, 19(3), 475–492.
- Ahmad, I., Sadiqa, A.B. & Khan, R. (2021). The impact of corporate governance practices on the firm financial performance of the non-

- financial firms. *Global Economics Review*, 6(1), 53-70
- Akinwole, B.D. & Ajide, F.M. (2020). Board characteristics and firm's financial performance in Nigeria. Dept of Economics, *Unilorin Working Paper/05/2020*
- Akinwunmi, A., Jelil, S.O. & Ayooluwa, E.O. (2019). Corporate board educational qualification diversity and performance of quoted companies in Nigeria: A methodological shift. *The International Journal of Business & Management*, 7(6), 327-336.
- Al-Khajeh, E.H. (2018). Impact of leadership styles on organizational performance. *Journal of Human Resources Management Research*, 2(1), 68-88
- Arnold, K.A. (2017). Transformational leadership and employee psychological well-being: A review and directions for future research. *Journal of Occupational Health Psychology*, 22(3), 381-399.
- Arumona, J. Erin., O., Onmonya..L. & Omotayo.V. (2019). Board financial education and firm performance: Evidence from the healthcare sector in Nigeria. *Academy of Strategic Management Journal* 18(4)1-14.
- Atty,A.M.A., Moustafasoliman, M. & Youssef, A.E.(2018). The effect of board of directors characteristics on firm's financial performance: An empirical study on the most active firms in the Egyptian stock exchange. *Open Access Library Journal* , 5: e4993.
- Bass, B.L. (2019). What is leadership. In M .R. Kibbe & H. chen (Eds.). *Leadership in surgery* (pp.1-10). Switzerland: Springer.
- Bittner, A. (2018). Leaders always mattered: The persistence of personality in Canadian elections. *Electoral Studies*, 54, 297-302.
- Butler Jr, J.K., Cantrell, R.S. & Flick, R.J. (2019). Transformation leadership behaviors, upward trust, and satisfaction in self-managed work teams. *Organization Development Journal*, 17(1), 1-13.
- Çakir, R. & Küçükkaplan, N. (2020). The effect of working capital components and management style on profitability of firms. *Human Resources Journal*, 12, 334-339
- Chen, S. Fanny, D.F., Ellen, S. & Dan, P. (2016). The effect of inventory management on firm performance. *International Journal of Productivity and Performance Management*, 57(5), 355-369.
- Dean, J. (2019). CEO attributes and marketing in emerging markets. *International Journal of Marketing Research*, 2(2), 10-19.
- Demireli, E., Başı, D.S. & Karaca, Z. (2019). The effect of working capital management on the performance. *Journal of Administration*, 2, 12-19.
- Etale, E. & Bingilar, S. (2018). The effect of inventory cost management on the profitability of listed brewery companies in Nigeria. *Journal of Economic Studies*, 1, 33-46.
- Fujianti, L. (2018) Top management characteristics and company performance: An empirical analysis on public companies listed in the Indonesian stock exchange. *European Research Studies Journal*, XXI(2),62-76
- Iliyasu, U.U., Nasir, M. & Umar, S. (2020). Corporate diversity, directors' qualification, board size and financial performance in Nigerian manufacturing industry. *International Journal of Recent Research in Commerce Economics and Management*, 7(1), 112-128
- Kenneth, Z. & Brian, D. (2018). *Transformational leadership*. *Business Research*, 18(12), 1820-1826.
- Lunkes, R.J., Pereira, B.S., Andrade dos Santos, E. & Silva da Rosa, F. (2019). Analysis of the relationship between the observable characteristics of CEOs and organizational performance. *Contaduría Administración* 64(4), 1-22.
- Okeke U & Onuora J.K.J (2020). Board dynamics and firm performance: evidence from Nigeria, Kenya and South Africa. *Journal of Accounting, Business and Social Sciences*, 3(1), 49-60
- Okoro, G.E. (2014). Testing the relationship between interest rates volatility and market capitalization: The case of Mauritius. *Journal of Economics and Business Research*, 20(2), 137-14
- Okoro, G.E. (2016). Stock market performance and the augmentation of frontier economies: A comparative scrutiny of Nigeria and Mauritius. *Studies and Scientific Researches - Economic Issues*, 23, 13-20
- Osazevbaru, H.O. & Yahaya, G.H. (2021). Board cultural diversity and firm performance. *Humanities and Social Sciences Letters*,9(2), 152-161
- Oyedokun G. O. (2019). Board characteristics and financial performance of commercial banks in Nigeria, *Accounting & Taxation Review*, 3(2), 31-48
- Saidu, S.(2019). CEO characteristics and firm performance: focus on origin, education and ownership. *Journal of Global Entrepreneurship Research* 9(29)1-15
- Sobhan, R. (2021). Board characteristics and firm performance: Evidence from the listed non-banking financial institutions of Bangladesh, *International Journal of*

Management, Accounting and Economics,
8(1), 25-41