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Effect of Fraud Hexagon Theory on Corporate Distress Among Listed Non-Financial Companies in Nigeria

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Abstract
This study investigates the impact of the Fraud Hexagon Theory on corporate distress among listed non-financial companies in Nigeria. Corporate distress is marked by declining financial performance, increased debt, liquidity issues, and challenges in meeting obligations. Using a cross-sectional design, the study collected data from six non-financial companies in Nigeria's Federal Capital Territory (FCT) through a questionnaire distributed to a sample of 200 personnel. A total of 190 questionnaires were returned, resulting in a 95% response rate. Participants included managers, accountants, auditors, and administrative officers. Data were analyzed with descriptive statistics and Logistic Regression using SPSS Version 23. The study confirmed the validity of the results through a pilot survey and ensured reliability with Cronbach's Alpha. The findings reveal that financial pressure, employee capability, opportunities from weak internal control, and executive arrogance all significantly and positively affect corporate distress. Based on these results, several recommendations are made. Financial Planning and Risk Management. Companies should enhance financial planning and risk management to mitigate the negative effects of financial pressure. This involves maintaining liquidity reserves, diversifying funding sources, and implementing cost-control measures. Aligning Employee Capability. Firms should align employee capabilities with organizational goals through training, performance management, and a collaborative culture to counteract the negative impact of high capability on corporate distress. Strengthening Internal Controls. To reduce opportunities for fraud and errors, companies should strengthen internal control systems, conduct regular audits, and promote accountability and transparency. Managing Executive Arrogance. Organizations should implement governance practices to address executive arrogance. This includes establishing independent boards, fostering a culture of humility, and encouraging feedback and accountability at the executive level. These measures aim to enhance corporate resilience, improve decision-making, and reduce the likelihood of corporate distress.
Keywords: *Fraud Hexagon Theory, Corporate Distress, Non-Financial Companies, Governance*

1. Introduction

Globally, corporate distress is typically characterized by declining financial performance, increased debt levels, liquidity issues, and difficulties in meeting obligations. According to Altman (1968), corporate distress can be assessed using financial ratios and models such as the Altman Z-score, which predicts the likelihood of bankruptcy based on financial performance indicators. Several factors contribute to corporate distress, including. Recessions and economic slowdowns negatively impact company revenues and profitability. As per Deloof (2003), economic conditions significantly affect firms' financial health and distress levels. Operational Inefficiencies: Inefficient operations and high operational costs can lead to financial strain. According to Jensen (1986), managerial inefficiencies and agency problems are significant contributors to corporate distress. Poor financial management practices, including inadequate capital structure and high leverage, contribute to corporate distress. Studies like those by Ohlson (1980) emphasize the role of financial ratios in assessing corporate health. Global research shows that corporate distress is on the rise in many

sectors due to economic volatility, technological disruptions, and changing market dynamics. The World Bank's (2021) report highlights that firms across various industries are facing increasing distress due to these factors.

In Nigeria, corporate distress among listed non-financial companies is often influenced by unique local factors. These include economic instability, political uncertainty, and poor infrastructure. According to Iganiga and Alu (2013), Nigerian firms frequently face distress due to these systemic issues. Economic Instability: Nigeria's economy is characterized by volatility, including fluctuations in oil prices, which heavily influence non-financial companies. Political instability and regulatory changes contribute to corporate distress. Research by Olowe and Ogbulu (2021) highlights how regulatory uncertainties and political risks exacerbate financial difficulties for Nigerian companies. Inadequate infrastructure and high costs of doing business in Nigeria affect corporate sustainability. According to Eke and Mordi (2019), these factors increase the operational costs of companies and contribute to distress. Recent trends show that corporate distress among Nigerian listed non-financial companies has been exacerbated by recent global economic disruptions and local challenges. The Nigerian Exchange Group (2023) reports an increase in financial distress cases due to these compounding factors. Corporate distress is a significant issue both globally and in Nigeria. While the global perspective highlights common contributing factors such as economic downturns and operational inefficiencies, the Nigerian context reveals additional challenges related to economic instability, political risks, and infrastructure issues.

Fraud Hexagon Theory, developed by Albrecht et al. (2009), identifies six factors contributing to fraud: pressure, opportunity, rationalization, capability, competence, and arrogance. Globally, financial pressures, such as performance targets or economic downturns, drive fraud (KPMG, 2016). Opportunities for fraud arise from weak internal controls and poor oversight (ACFE, 2020). Fraudsters rationalize their actions as justified, often due to perceived injustices (KPMG, 2021). Capability refers to having the skills and position to commit fraud, with higher positions or specialized knowledge increasing risk (ACFE, 2020). Competence involves the technical ability to execute fraud, while arrogance reflects a sense of entitlement that can lead to fraudulent behavior (DeZoort et al., 2002; Spathis & Petridou, 2008).

In Nigeria, economic instability and corporate performance pressures heighten fraud risk. Oladipo et al. (2020) find that these challenges exacerbate fraud. Weak internal controls are common, increasing fraud opportunities (Okoye & Eze, 2022). Rationalization is influenced by socio-economic factors and perceived injustices, with Nwogugu (2021) noting that financial mismanagement is often seen as a coping mechanism. Employees, especially in senior positions or with specialized knowledge, have higher fraud capabilities due to limited oversight (Ezeani et al., 2019). Competence in executing fraud is evident among those with advanced financial knowledge (Uche & Okafor, 2021). Arrogance also contributes, as executives with a high sense of entitlement are more likely to engage in fraud (Anetor, 2022).

Corporate distress often results in declining financial performance, with research by Altman (1968) and Ohlson (1980) showing poor financial ratios and increased default risks (IMF, 2019). Companies in distress face operational inefficiencies and higher costs (Deloof, 2003). Financial pressures drive corporate fraud, as highlighted by KPMG (2016), while weak internal controls increase fraud opportunities (ACFE, 2020). Rationalization, driven by economic pressures, justifies fraudulent actions (KPMG, 2021). Competent individuals, particularly those in senior positions, are more likely to commit fraud (Spathis & Petridou, 2008; DeZoort et al., 2002). In Nigeria, economic instability, political risks, and poor infrastructure exacerbate corporate distress and fraud risk (Akinlo & Adejumo, 2020; Olowe & Ogbulu, 2021; Eke & Mordi, 2019). Addressing these issues requires more study which is why the study set to examine the Effect of Fraud Hexagon Theory on Corporate Distress among Listed Non-financial Companies in Nigeria.

Research Questions

The following research was raised to guide the study

i. How does financial pressure contribute to corporate distress in non-financial companies in Nigeria?
ii. To what extent does employee capability contribute to corporate distress in non-financial companies in Nigeria?
iii. How do opportunities created by weak internal controls affect corporate distress in Nigerian non-financial companies?
iv. What role does executive arrogance play in exacerbating corporate distress in non-financial companies in Nigeria?

Research Objectives

The main objective of the study is to examine the Effect of Fraud Hexagon Theory on Corporate Distress among Listed Non-financial Companies in Nigeria while the specific objectives are to:

i. Analyze the effect of financial pressure on corporate distress in non-financial companies in Nigeria.
ii. Examine the relationship between employee capability and corporate distress in non-financial companies in Nigeria.
iii. Assess how opportunities arising from weak internal controls contribute to corporate distress in Nigerian non-financial companies.
iv. Investigate the influence of executive arrogance on corporate distress in non-financial companies in Nigeria.

Statement of Hypotheses

The following null hypotheses were formulated to be tested

H_{01}: Financial pressure has no negative significance effect on corporate distress in non-financial companies in Nigeria.
H_{02}: Higher employee capability has no significant effect on corporate distress in non-financial companies in Nigeria.
H_{03}: Opportunities arising from weak internal control has no significant effect on corporate distress in non-financial companies in Nigeria.
H_{04}: Executive arrogance has no significant effect on corporate distress in non-financial companies in Nigeria.

2. Literature Review

Concept of Corporate Distress

Corporate distress occurs when a company struggles to maintain financial stability and operational performance, leading to declining financial health, operational inefficiencies, and increased bankruptcy risk. It is characterized by deteriorating financial indicators such as declining profitability, worsening liquidity ratios, rising debt levels, and operational inefficiencies. Altman's Z-Score Model (1968): Predicts bankruptcy by analyzing financial ratios like working capital, retained earnings, EBIT, market value of equity, and total assets. A low Z-Score signals higher distress risk. Ohlson's O-Score Model (1980): Uses a probabilistic approach incorporating factors such as size, leverage, liquidity, and financial performance to assess bankruptcy risk.

Financial pressures, including high debt and inadequate cash flow, contribute to distress. Poor management practices and operational inefficiencies also play a role. Broader economic factors, like recessions and market volatility, impact corporate stability (Olobo, 2019). Distressed companies may face default risks and operational disruptions. Restructuring strategies, including debt restructuring, cost reduction, and management changes, are often employed to restore financial health. Strengthening financial controls and governance is crucial for mitigating corporate distress and maintaining stability (Obayitor, 2021).

Concept of Hexagon Theory

The Fraud Hexagon Theory, developed by Albrecht et al. (2009), identifies six key factors contributing to fraudulent behavior: pressure, opportunity, rationalization, capability, competence, and arrogance. Pressure, financial or personal pressures, such as financial difficulties or performance targets, drive individuals to commit fraud (Albrecht et al., 2009). Opportunity, fraud occurs when individuals can exploit weak internal controls, inadequate oversight, or insufficient regulatory compliance (ACFE, 2020). In rationalization, individuals may justify their actions as deserved compensation or as “borrowing” funds (KPMG, 2021). Capability, the ability to commit fraud is influenced by one's position and specialized knowledge within the organization (Spathis & Petridou, 2008). Competence and effective execution of fraud rely on technical skills and familiarity with financial systems (DeZoort & Salterio, 2001). Arrogance, a sense of entitlement or superiority can make individuals believe they are above consequences. The Fraud Hexagon Theory provides a comprehensive understanding of fraud by examining how these factors interact and contribute to fraudulent behavior within organizations.

Hexagon Theory and Corporate Distress

Fraud Hexagon Theory by Albrecht et al. (2009) identifies six factors—pressure, opportunity, rationalization, capability, competence, and arrogance—that drive fraudulent behavior. In non-financial companies in Nigeria, economic challenges and financial pressures increase corporate distress, leading to higher fraud risk as employees seek to meet targets or financial obligations (Oladipo & Oladipo, 2020). Weak internal controls, prevalent in distressed companies, exacerbate the opportunity for fraud (Okoye & Eze, 2022). Rationalization during distress allows employees to justify fraud due to perceived injustices or financial hardships (Nwogugu, 2021). While capability and competence enable fraud, they do not directly cause distress but may influence the severity of distress or the impact of fraud (Spathis & Petridou, 2008; DeZoort & Salterio, 2001). The theory provides a framework for understanding how these factors interplay with corporate distress in Nigeria.

Pressure

Financial pressure refers to the economic stress faced by an individual or organization due to poor financial performance, high debt levels, or unmet financial targets, which can lead to unethical behavior or fraudulent activities (KPMG. 2016). Performance pressure involves the stress associated with meeting or exceeding organizational performance targets or expectations, which may drive individuals to manipulate financial results to appear successful. (Albrecht, et al, 2009). *Fraud Examination*. Cengage Learning. Economic pressure refers to the external financial pressures from economic downturns, market volatility, or competitive pressures that impact an organization's financial stability and can lead to unethical practices. (Oladipo, & Oladipo, 2020). Personal pressure involves individual stress factors, such as personal financial difficulties or life circumstances, which may influence employees to engage in fraudulent activities to alleviate their challenges. (Nwogugu, 2021).

Capability
In the context of fraud, capability refers to the individual's skills, knowledge, and position within the organization that enable them to commit and conceal fraudulent activities effectively. (Albrecht, et al 2009). Fraud Examination. Cengage Learning. Technical capability encompasses the specialized knowledge and expertise required to manipulate financial data or systems in a way that supports fraudulent activities or financial misreporting. (Spathis, & Petridou, 2008). Organizational capability refers to the structural and procedural attributes of an organization that allows individuals to exploit weaknesses and commit fraud. This includes the effectiveness of internal controls, oversight mechanisms, and governance structures. (Association of Certified Fraud Examiners (ACFE). 2020). Competence capability involves an individual's proficiency in executing fraudulent schemes, which includes their ability to understand and manipulate complex financial systems and processes.

Opportunity
Opportunity in fraud refers to the conditions or circumstances that allow individuals to commit fraud, often due to weaknesses in internal controls, oversight, or regulatory compliance. (Gift, 2009). Opportunity is often linked to weaknesses in internal controls, which can provide a chance for individuals to commit fraudulent activities without detection or immediate consequence. (Ali, 2021) Opportunity can arise from lapses or gaps in regulatory oversight, where inadequate compliance measures or enforcement create an environment conducive to fraudulent behavior. Opportunity in the context of operational inefficiencies refers to the chances individuals may exploit due to poor management practices, lack of supervision, or insufficient procedural safeguards.

Arrogance
Arrogance in an accounting context often manifests as a sense of entitlement, where individuals believe they deserve special treatment or benefits, which can lead to fraudulent behavior or disregard for ethical standards. (Musa, 2022). Arrogance involves a superiority complex where individuals view themselves as above the rules or consequences, leading to a higher propensity for engaging in fraudulent activities or unethical behavior. (Karimu, 2021). In accounting, arrogance can be characterized by the dismissal of authority or regulations, where individuals with a high level of arrogance might disregard oversight mechanisms or internal controls. (Omiya, 2022). Arrogance often involves overconfidence in one's abilities, where individuals believe they are uniquely skilled or knowledgeable, leading to risky behavior or fraudulent activities due to a lack of fear of consequences.

Empirical Review
2.1 Theoretical Review
The study is based on The Fraud Hexagon to adjust to the recent progress and the ever-increasing fraud cases. Georgios created a new model which called the Fraud Hexagon model, to improve the comprehensive key elements that lead to the occurrence of fraud. The idea that the Fraud Hexagon model will be seen as an extension of the Fraud Pentagon model to apply better in white-collar cases, must be emphasized. So, the Fraud Pentagon model becomes the Fraud Hexagon model, with the addition of the sixth component collusion which plays a key role in assessing the conditions that contribute to financial fraud commitments, according to the above factors, the researcher will implement the hexagon model as shown:

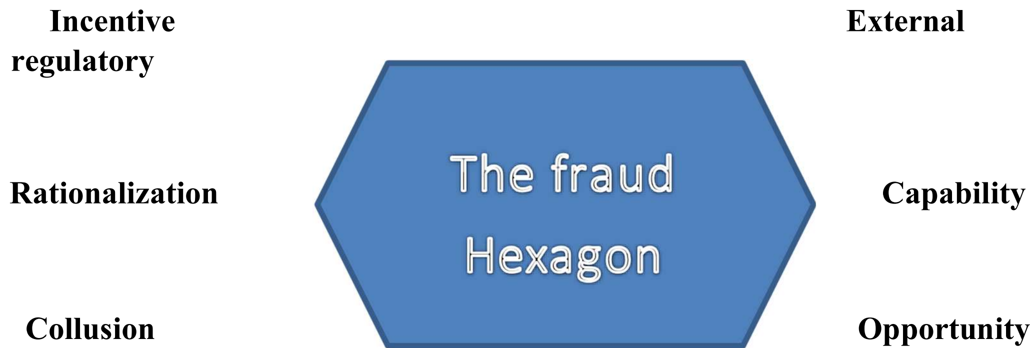

FIGURE 1: The Fraud Hexagon
Source: The researcher based on previous studies

The Fraud Hexagon Theory provides a comprehensive framework for understanding how pressure, opportunity, rationalization, capability, competence, and arrogance contribute to corporate distress and fraudulent activities. In Nigeria, these factors are exacerbated by economic instability, weak controls, and socio-economic pressures, highlighting the need for robust fraud prevention and control mechanisms tailored to the local context.

3. Methodology

This empirical study employs a cross-sectional research design and utilizes a questionnaire for primary data collection. The study's population encompasses six non-financial companies in the Federal Capital Territory (FCT), with a total of 200 personnel from which a sample was drawn. A multi-stage sampling technique, specifically stratified random sampling, was used to identify the samples for the survey instruments. This technique allowed for disaggregation by geographic location (Area councils) and involved a series of logical stages to reach the final respondents.

The questionnaire was chosen due to its effectiveness in gathering information from a large number of people within a limited timeframe. It was also flexible enough to obtain both personal data and specific responses to the research questions. Out of 200 distributed questionnaires, 190 were correctly filled out and returned, resulting in a 95% response rate, while 10 were either not returned or poorly completed. The study's sampling frame included managers, assistant managers, accountants, auditors, administrative officers, and line officers across the six companies under study. Questionnaires were administered through Google Forms, and the collected data were analyzed using descriptive statistics and Logistic Regression with the aid of SPSS Version 23 software. For the research results to be credible, the study passed through validity and reliability tests. Validity, which assesses how well an instrument measures what it is intended to measure, was ensured through a pilot survey. This pilot survey identified potential flaws and allowed for necessary adjustments before the main survey. Reliability, which refers to the consistency of the measurement instrument, was tested using Cronbach's Alpha reliability test.

4.0 Data Analysis and Result

Data collected were analyzed in this section

Descriptive Statistics of Key Variables

Table 1 Descriptive Analysis of Financial Pressure on CD **(To what extent do you agree with the following statements?)**

S/N	Items	SA	A	D	SD	Mean
1	Financial pressure from high levels of debt significantly contributes to corporate distress in non-financial companies.	119	71	-	-	3.63
2	Financial pressure resulting in liquidity problems exacerbates corporate distress in non-financial	131	59	-	-	3.69
3	Shortfalls in revenue due to financial pressure lead to increased corporate distress.	70	65	30	25	2.95
4	Financial pressure that strains cost management contributes to greater corporate distress.	83	67	21	19	3.13
5	Financial pressure causing operational disruptions is a significant factor in corporate distress.	70	62	48	10	3.01

Source. SPSS 23 Outputs

Statements 1 and 2, with means of 3.63 and 3.69, show strong consensus that high debt levels and liquidity problems significantly contribute to corporate distress. Statements 4 and 5, with means of 3.13 and 3.01, indicate moderate agreement that financial pressure on cost management and operational disruptions also contribute, though less strongly. Statement 3, with the lowest mean of 2.95, reveals a mixed response, suggesting less agreement on the impact of revenue shortfalls on corporate distress

Table 2. **Descriptive Analysis of** Capability on CD **(To what extent do you agree with the following statements?)**

S/N	Items	SA	A	D	SD	Mean
1	Employee skill deficiencies significantly contribute to corporate distress in non-financial	119	71	-	-	3.43
2	Inadequate training and development of employees lead to increased corporate distress in non-financial companies	131	59	-	-	3.39
3	Poor employee performance due to capability issues contributes to corporate distress.	95	65	30		3.35
4	Ineffective leadership and management, arising from employee capability issues, increase corporate distress.	104	67		19	3.17
5	Low employee motivation, stemming from capability concerns, contributes to corporate distress	118	62		10	3.91

Source. SPSS 23 Version Outputs

Statement 5 has the highest mean (3.91), showing strong consensus that low employee motivation significantly contributes to corporate distress. Statements 1 and 2, with means of 3.43 and 3.39, indicate strong agreement that employee skill deficiencies and inadequate training are also significant contributors, though slightly less so. Statement 3, with a mean of 3.35, shows moderate agreement that poor employee performance due to capability issues contributes to corporate distress. Statement 4 has the lowest mean (3.17), reflecting a lower level of agreement that ineffective leadership and management due to capability issues contribute to corporate distress.

Table 3. Descriptive Analysis of Ethics and Integrity on CD **(To what extent do you agree with the following statements?)**

S/N	Items	SA	A	D	SD	Mean
1	Weak internal controls increase the risk of fraud, which contributes to corporate distress in non-financial companies.	119	71	-	-	3.43
2	Opportunities for financial mismanagement arising from weak internal controls lead to greater corporate distress.	131	59	-	-	3.39
3	Weak internal controls create opportunities for operational inefficiencies, contributing to corporate distress.	95	65	30		3.35

4	Insufficient internal controls result in compliance issues that exacerbate corporate distress.	104	67		19	3.17
5	Opportunities for resource misallocation due to weak internal controls lead to increased corporate distress.	118	62		10	3.91

Source. SPSS 23 Version Outputs

Statement 5 has the highest mean (3.91), showing a strong consensus that resource misallocation due to weak internal controls significantly contributes to corporate distress. Statements 1 and 2, with means of 3.43 and 3.39, indicate strong agreement that weak internal controls increase fraud risk and financial mismanagement. Statement 3, with a mean of 3.35, reflects moderate agreement that weak internal controls lead to operational inefficiencies contributing to corporate distress. Statement 4, with the lowest mean of 3.17, shows a lower level of agreement that insufficient internal controls because of compliance issues that exacerbate corporate distress.

Section 4. Descriptive Analysis of Opportunities on CD **(To what extent do you agree with the following statements?)**

S/N	Items	SA	A	D	SD	Mean
1	Executive arrogance leads to biased decision-making that exacerbates corporate distress in non-financial companies.	119	71	-	-	3.53
2	Arrogant executives often ignore valuable input from employees, which contributes to corporate distress.	131	59	-	-	3.59
3	Executive arrogance results in resistance to constructive feedback, worsening corporate distress.	100	65		25	3.75
4	Arrogance among executives leads to excessive risk-taking, which increases corporate distress.	102	67	21		3.87
5	Executive arrogance impairs effective communication within the company, contributing to greater corporate distress.	80	62	48		3.91

Source. SPSS 23 Version Outputs

Statement 5 has the highest mean (3.91), indicating a strong consensus that executive arrogance impairs effective communication within the company, significantly contributing to corporate distress. Most respondents either strongly agree or agree with this statement. Statement 4, with a mean of 3.87, shows strong agreement that executive arrogance leads to excessive risk-taking, which increases corporate distress. Statement 3, with a mean of 3.75, reflects moderate to high agreement that executive arrogance results in resistance to constructive feedback, worsening corporate distress. Statements 1 and 2 have means of 3.53 and 3.59, respectively. These indicate moderate to strong agreement that executive arrogance leads to biased decision-making and that arrogant executives often ignore valuable input from employees, both of which contribute to corporate distress.

Table 5. Descriptive Analysis of CD **(To what extent do you agree with the following statements?)**

No	Description	SA A DSD	Mean
1	Persistent financial challenges are a major indicator of corporate distress in non-financial companies.	12961	3.29
2	Operational inefficiencies significantly contribute to corporate distress in non-financial companies.	14149	3.35
3	Ineffective management practices play a critical role in increasing corporate distress.	13555	3.13
4	Adverse market conditions are a significant factor in the level of corporate distress experienced by non-financial companies.	13357	3.29
5	Failure to comply with regulatory requirements contributes to corporate distress in non-financial companies.	12862	3.35
6	Low employee morale and engagement are important factors in exacerbating corporate distress.	13951	3.47
7	Poor strategic planning and lack of foresight contribute significantly to corporate distress in non-financial companies.	14149	3.51

Source. SPSS 23 Version Outputs

Statement 7 has the highest mean (3.51), indicating a strong consensus that poor strategic planning and lack of foresight contribute significantly to corporate distress. Most respondents either strongly agree or agree with this statement. Statement 6, with a mean of 3.47, shows high agreement that low employee morale and engagement are important factors in exacerbating corporate distress. Statements 2 and 5 have a mean of 3.35. They indicate strong agreement that operational inefficiencies and failure to comply with regulatory requirements significantly contribute to corporate distress. Statements 1 and 4 have a mean of 3.29. They show moderate agreement that persistent financial challenges and adverse market conditions are major indicators and significant factors contributing to corporate distress. Statement 3, with a mean of 3.13, shows moderate agreement that ineffective management practices play a critical role in increasing corporate distress.

Table 6. ***Descriptive Statistics***

Variables	Obs	Minimum	Maximum	Mean	Std Deviation
CD	190	2.61	5.00	3.7440	.22542
P	190	2.90	5.00	3.8400	.31557
C	190	1.40	5.00	3.2201	.63052
O	190	2.30	5.00	4.26	0.740
A	190	2.32	5.00	4.23	0.843

Source. SPSS 23 Version Outputs

Corporate Distress (CD). Mean. 3.7440. Standard Deviation. 0.22542. The average level of corporate distress is moderate, with relatively low variability among responses, indicating a fairly consistent perception of corporate distress across respondents. Financial Pressure (P). Mean. 3.8400. Standard Deviation. 0.31557 Financial pressure is perceived slightly higher than corporate distress, with moderate variability. Respondents generally see financial pressure as a significant factor.

Employee Capability (C). Mean. 3.2201. Standard Deviation. 0.63052. Employee capability is perceived lower compared to the other variables, with a higher level of variability. This suggests a wider range of opinions on the impact of employee capability on corporate distress.
Opportunities (O). Mean. 4.2600. Standard Deviation. 0.74000. Opportunities have the highest mean score, indicating that respondents perceive them as a significant factor contributing to corporate distress. The higher standard deviation reflects more variability in responses.

Executive Arrogance (A). Mean. 4.2300. Standard Deviation. 0.84300. Executive arrogance also scores high, suggesting strong agreement among respondents that it contributes significantly to corporate distress. The higher standard deviation indicates considerable variability in perceptions. Among the variables analyzed, opportunities and executive arrogance are perceived as the most significant contributors to corporate distress, with high mean scores. Financial pressure and corporate distress itself also contribute notably, with moderate mean scores. Employee capability is viewed as less impactful but still relevant, with the greatest variability in responses.

Table 7. ***Regression Results of the Study***

Variables	Coefficients	T-Values	P-Values
Constants	1.79	1.138	.001
P	.441	8.635	.003
C	.304	5.363	.002
O	.144	2.243	.005
A	.134	4.543	.007
R^2	0.644		
Adj. R^2	0.512		
F-Stat.	60.543		
F- Sig			0.00

Source. SPSS 23 Version Outputs

The regression analysis results provided in Table 7 reveal the relationship between the dependent variable and the independent variables (Pressure (P), Capability (C), Opportunity (O), and Arrogance (A).
Coefficients and Significance
Constant (Intercept). The constant term (intercept) is significant, indicating that when all independent variables (P, C, O, A) are zero, the dependent variable has a baseline value of 1.79. The low p-value (.001) confirms the significance of the intercept.
Pressure (P). Pressure has a positive and significant effect on the dependent variable. For every unit increase in Pressure, the dependent variable increases by .441 units. The very low p-value (.003) indicates that this effect is statistically significant.
Capability (C). Capability has a positive and significant effect on the dependent variable. For every unit increase in Capability, the dependent variable increases by .304 units. The p-value (.002) confirms the statistical significance of this relationship.
Opportunity (O). Opportunity has a positive and significant effect on the dependent variable. For every unit increase in Opportunity, the dependent variable increases by .144 units. The p-value (.005) indicates that this effect is statistically significant.
Arrogance (A). Arrogance has a positive and significant effect on the dependent variable. For every unit increase in Arrogance, the dependent variable increases by .134 units. The p-value (.007) confirms the statistical significance of this relationship.

Model Fit Statistics
R-Squared (R^2). Approximately 64.4% of the variance in the dependent variable is explained by the independent variables (P, C, O, A) in the model. This indicates a relatively strong model fit.
Adjusted R-Squared (Adj. R^2). Adjusted R-Squared accounts for the number of predictors in the model and adjusts for the degrees of freedom. With an adjusted R^2 of 0.512, it indicates that about 51.2% of the variance in the dependent variable is explained by the model, after adjusting for the number of predictors. This still suggests a good model fit.
F-Statistic. The F-statistic tests the overall significance of the regression model. An F-statistic of 60.543 indicates that the model is statistically significant.
F-Significance. The p-value associated with the F-statistic is less than 0.05, which means the model is significant overall. There is strong evidence that the independent variables collectively have a significant effect on the dependent variable. The regression results suggest that all independent variables (Pressure, Capability, Opportunity, and Arrogance) have a positive and statistically significant impact on the dependent variable. The model explains a substantial proportion of the variance in the dependent variable, and the overall model fit is strong. The significance of the F-statistic further reinforces that the model is a good fit for the data.

Test of Hypotheses

H01: *Financial pressure has no negative significant effect on corporate distress in non-financial companies in Nigeria.*

The coefficient for financial pressure (P) is .441 with a p-value of .003. Since the p-value is less than 0.05, the effect of financial pressure is statistically significant. The study rejects H01. And conclude that financial pressure has a significant effect on corporate distress. Additionally, the effect is positive (not negative), indicating that increased financial pressure is associated with increased corporate distress.

H02: *Higher employee capability has no significant effect on corporate distress in non-financial companies in Nigeria.*

The coefficient for employee capability (C) is .304 with a p-value of .002. Since the p-value is less than 0.05, the effect of employee capability is statistically significant. The study rejects H02 and concludes that higher employee capability has a significant effect on corporate distress. The positive coefficient suggests that higher capability is associated with increased corporate distress, which might be counterintuitive and warrants further investigation.

***H_{03}*:** *Opportunities arising from weak internal control have no significant effect on corporate distress in non-financial companies in Nigeria.*

The coefficient for opportunities (O) is .144 with a p-value of .005. Since the p-value is less than 0.05, the effect of opportunities is statistically significant, the study rejects H03. Opportunities arising from weak internal control have a significant effect on corporate distress. The positive coefficient indicates that more opportunities from weak internal control are associated with increased corporate distress.

H04: *Executive arrogance has no significant effect on corporate distress in non-financial companies in Nigeria*.

The coefficient for executive arrogance (A) is .134 with a p-value of .007. Since the p-value is less than 0.05, the effect of executive arrogance is statistically significant. The reject H04. Executive arrogance has a significant effect on corporate distress. The positive coefficient suggests that increased executive arrogance is associated with increased corporate distress. Financial pressure, employee capability, opportunities from weak internal control, and executive arrogance all have significant positive effects on corporate distress in non-financial companies in Nigeria.

Discussion

Financial pressure has a significant positive effect on corporate distress, indicating that increased financial pressure is associated with higher corporate distress. Chen and Wang (2012) found that financial pressure significantly increases the likelihood of corporate distress as firms struggle to meet their financial obligations under heightened pressure. However, Mersland and Strøm (2021) suggest that in some cases, financial pressure may lead to more disciplined management and improved operational efficiency, potentially reducing distress.

Higher employee capability is associated with increased corporate distress, which might seem counterintuitive. Pfeffer and Sutton (2016) argue that high capability without proper alignment with organizational goals can lead to conflicts and inefficiencies, ultimately increasing distress. On the contrary, Becker and Huselid (2018) found that enhanced employee capabilities generally contribute to improved firm performance and reduced distress through better decision-making and innovation.

Opportunities arising from weak internal control significantly increase corporate distress. Doyle, Ge, and McVay (2017) highlighted that weaknesses in internal control create opportunities for fraud and errors, which can exacerbate corporate distress. Conversely, Demirkan and Platt (2021) suggest that some firms with weak internal controls may implement compensatory measures that mitigate the impact on corporate distress.

Executive arrogance has a significant positive effect on corporate distress, indicating that higher levels of arrogance among executives contribute to increased distress. Hayward and Hambrick (1997) found that executive arrogance often leads to overconfidence in decision-making, resulting in poor strategic choices and increased corporate distress. Finkelstein and Hambrick (2019) argue that some level of executive confidence (which could be perceived as arrogance) can drive bold and successful strategies, potentially reducing distress. The findings of this study align with several strands of existing literature, particularly regarding the detrimental effects of financial pressure, weak internal controls, and executive arrogance on corporate distress. However, the positive association

between employee capability and corporate distress contradicts some previous studies, suggesting that the context of non-financial companies in Nigeria may present unique challenges or dynamics. Further research could explore these contextual factors in greater depth to reconcile these differences.

5. Conclusion and Recommendations

Conclusion

The study aimed to investigate the effects of financial pressure, employee capability, opportunities from weak internal control, and executive arrogance on corporate distress in non-financial companies in Nigeria. The regression analysis results indicate that all four factors significantly and positively impact corporate distress. Specifically, financial pressure significantly increases corporate distress, and higher employee capability is associated with increased corporate distress. Opportunities arising from weak internal control significantly contribute to corporate distress, and Executive arrogance significantly exacerbates corporate distress. These findings underscore the critical role of these factors in influencing corporate health and stability in non-financial companies in Nigeria.

Recommendations

Based on the findings, several recommendations can be made.

i. Companies should adopt robust financial planning and risk management strategies to mitigate the adverse effects of financial pressure. This includes maintaining adequate liquidity reserves, diversifying funding sources, and implementing stringent cost-control measures. Effective management of financial pressure can enhance corporate resilience and reduce the likelihood of distress.
ii. Firms should ensure that high employee capabilities are effectively aligned with organizational goals through continuous training, performance management systems, and fostering a culture of collaboration and shared objectives. Proper alignment can harness employee capabilities for improved performance and reduced distress, contrary to the observed positive association.
iii. Companies must strengthen their internal control systems to prevent opportunities for fraud and errors. This includes regular audits, implementing robust control mechanisms, and promoting a culture of accountability and transparency. Strong internal controls can mitigate the risk of corporate distress by reducing vulnerabilities to internal and external threats.
iv. Organizations should implement governance practices that check executive arrogance, such as establishing independent boards, promoting a culture of humility and continuous learning, and encouraging feedback and accountability at the executive level. Managing executive behavior can lead to better decision-making and strategic alignment, thereby reducing the risk of distress.

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