

Explore the Impact of Workplace Spirituality on Motivations for Earnings Management-An Empirical Analysis

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Abstract: The present paper investigates the influences on motivations for earnings management from the perspectives of workplace spirituality. The empirical findings advocate that workplace spirituality is a new insight of individuals in the direction of their lives and selves under the influence of the workplace. Such influence promotes the individuals on the acknowledgement of self-group relationships, and the actions of individuals. Therefore, spiritual awareness shows a mediating effect between organizational spirituality and earnings management. Moreover, the mediating effect is greater than the direct effect of organizational spirituality on the motivations of earnings management. In addition, this paper proves that there are no significant variances in the awareness of workplace spirituality among people who have different religious beliefs. Though, a solitary confidence on the awaking and realization of the individual ethics may not be sufficient to amend current chaotic situations regarding earnings management. In fact, earnings management, in essence, is highly applicable to the opportunistic behaviors of management.

Index Terms- Earnings management, workplace spirituality, motivations for earnings management

I. INTRODUCTION

Spirituality at work is a thought of innovative budding so as to entail further transparency and academic accepting. Thomas Moore develops our admiration of the splendor and strengths of the human force. A number of dimensions of spirituality, at what time incorporated into the workplace, can significantly boost special well-being and ingenuity, organizational harmony, and long-term business success. These are influential values, most favorable human development, the art of transcendence, and spiritual psychologies, both traditional and up to date (Dan Butts, 1999). In India, Rising occurrences of corporate fraud have set the panic signals buzzing. As soaring as 75% of the top corporate executives deem fraud as their highest worry, pursued by scantiness of appraises to control them. The dual impact of two concerns rated high by them leads to an environment where both preference and opportunity co-exist (Economic Times, 2008). A lot of of these occurrences entail false financial reporting, irregular transactions, inflated revenues, and assets embezzlement. The frauds have resulted in investors losing confidence in the management teams and financial reports of many listed companies. Although the government authorities of securities exchanges and auditing industries around the world have established various legal regulations to augment frauds prevention, levied disciplinary evaluates on deceitful

performances, and dedicated nonstop attempts on education of business ethics. The public has extra hesitations on the professional ethics of corporate management and auditors.

Chung et al (2002) claim that earnings management replicates the concerns of management rather than the genuine operating results of companies. Lord and DeZoort (2001) supports on the impulsive actions based on individual attitudes, values, and beliefs may lose their natural nature under pressure. Sheep (2006) argue that the factual principle of every economic activity imitates the will, experiences and passions of people and habitually highlights the nature of human subsistence or moral substances. This has caused an inequity between material and spiritual life. (Jurkiewicz and Giacalone, 2004) In this way Harrington et al. (2001) specified that employees of the organization experienced a elementary modify of work values. This prototype move was treated as spirituality and spiritual feeling of workplace, which are termed as “workplace spirituality”.

Nonetheless, a good number of the research has been made on spirituality of individuals. But Reed (1997) engaged on the issue to find out what are the causes of an intellectual myopia and the workings of organizational powers and control relationships. Consequently, the present paper suggests that workplaces are not merely things, clusters, or hierarchical organizations, it is better to say aggregation of different levels more willingly than a mixture of single layers. Therefore, the Hierarchical Linear Model has been used in the present study.

II. REVIEW OF RELATED LITERATURES

2.1 WORKPLACE SPIRITUALITY

McCormick (1994) claims spirituality as an inner experience an individual has that can be evidenced by his or her behavior. The concept of spirituality draws on the ethics, values, motivation, wok/life balance, and leadership elements of an organization. Spiritual organizations are concerned with helping employees develop and reach their potentials. They are also concerned with addressing problems created by work life conflicts (Rama Rao, 2010). Workplace spirituality is about individuals and organisations seeing work as a spiritual path, as a break to contribute to society in a meaningful way (Smith and Rayment 2007). Workplace spirituality is a budding apprehension for an increasing number of organizations, employees, and job seekers. In today’s turbulent business scenery a growing number of people are looking to the workplace to accomplish their spiritual needs, at the same time as organizations are finding positive work outcomes correlated with a workplace that boosts workers spiritual fulfillment. There is to date, on the contrary, little research concerning the relationships between culture, individual

differences, and workplace spirituality. Workplace spirituality has turned into a gorgeous focal point for researchers in the recent past. Workplace spirituality means dissimilar belongings to unlike individuals. Depending on their interest, explanation, and regulation, researchers may describe workplaces spirituality as living the values for example honesty, decency, enthusiasm, co-operation, ethics, assurance, fidelity, and open-mindedness at the workplace. Workplace spirituality is not a new incident. It subsisted in prehistoric period as well. Actually there includes work and love. References abound in kautilyas Arthashastra about spiritual practices embraced by the kings of yore in India (N.R. Aravamudhan, 2007).

2.2 IMPLICATIONS OF EARNINGS MANAGEMENT MOTIVES

Earnings Management (Healy, P. M. and J. M. Wahlen. 1999 by Lisa Anderson in 2003) is said to have occurred while managers exercise decision in financial reporting and in structuring transactions to change financial reports to moreover give the wrong impression about a few stakeholders on the subject of the original economic recital of the company or to persuade contractual results that rely on reported accounting numbers: The review is hub in the region of four questions: First, what intentions make earnings management? Second, which accruals emerge to be managed? Third, what is the degree and rate of earnings management? Lastly, what are the economic upshots of earnings management?

Summers and Sweeney (1998) evaluated the motivations of earnings management are typically accomplished based on audits and assert that motivations of earnings management depend on risk assessment and assessment of fraud. At the same time, Fischer and Rosenzweig (1995) and DeZoort and Lord (1994) claimed that the motivations of earnings management can be divided into attitudes & convictions and pressures from affiliated parties.

2.3 WORKPLACE SPIRITUALITY AND EARNINGS MANAGEMENT

Scott (2006) defined earnings management is very much pertinent to human self-indulgence. Earnings management is the use of accounting techniques to fabricate financial reports that may cover an excessively positive picture of a company's business activities and financial position. Earnings Management obtains benefit of how accounting rules can be used and are legitimately flexible when companies can incur expenses and recognize revenue. It can be complicated to separate these allowable practices from earnings fraud or manipulation. Earnings management theoretically represents this gray area, but it is habitually used as a synonym for earnings manipulation or earnings fraud.

Forster (2008) highlighted that the management of modern companies should be derived from spiritual elements more willingly than the manipulation of financial reporting with the intention of explain maximum profits. Giacalone and Jurkiewicz (2003) promoted that there is a well-built reciprocal association between workplace spirituality and earnings outlooks. Fernando and Jackson (2006) reveal that the idea of workplace spirituality of leaders displays persuade on their verdict actions. Nonetheless, (Kaplan, 2001) claim that perform of earnings management in financial accounting are extremely related to the internal values of leaders. Hence, the present study proposes that

workplace spirituality can augment the internal ethics and ethical standards of individuals or organizations so that earnings management is reduced.

III. MATERIALS AND METHODS

3.1 RESEARCH DESIGN

The construction and influence of workplace spirituality contains many levels, therefore, this study adopts a Hierarchical Linear Model for analysis. The reality in a given organization is nested, with one phenomenon layered on top of another, thus, the use of a Hierarchical Linear Model is can provide a better understanding on organizational operations.

3.2 SAMPLING THEMES

In the present study, a focus group colloquium was performed to assemble information before the questionnaires survey with the intention of take into consideration cross-cultural issues. Laabs (1995) asserts that religion should be separated from definitions of spirituality. Hicks (2002), vehemently argues that spirituality and religion are not mutually exclusive and cannot be separated. Zinnbauer et al. (1997) found empirical evidence that religion and spirituality were significantly related. Subsequently, the study pursued the theory of critical incident techniques for task analysis to evaluate the content of the gathered data, and intended the questionnaires based on the results.

3.3 FOCUS GROUP TARGETS

While the issues of workplace spirituality were workers/employees, and there was no intricacy in entering sample sets all over India, the study implemented stratified sampling by separating India into northern, central, and southern regions. Two colleges/universities were selected in each region, and then contact was made with the faculties and departments offering programs to full-time working professionals to arrange interviews, totaling 50 people. On the other hand, as the study merely sampled working professionals, who were studying part-time in colleges/universities, the majority of respondents were highly educated, below 50 years old, single, and high earners. In the meantime, 70% had never taken part in any spiritual (potential) development program, and 35% were religious. All the respondents were invited to express their opinions, and the influence of their experiences or religious beliefs was expected to be insignificant.

3.4 QUESTIONNAIRE SURVEYS

The study of earnings management entails statistical data of financial reports, thus, the study sampled listed companies of the National Stock Exchange although excluded the financial industry (including banks and insurance companies) because the industry characteristics, earnings calculations, and business models are unique. This study used a Hierarchical Linear Model comprising personal and organizational levels. To facilitate to avoid the sourcing of data from the same respondents and the questionnaire were distributed to employees, financial/accounting personnel and supervisors using common method variance. The questionnaires for the former were filled out by the financial/accounting staff and supervisors of the sampled companies, and their responds signify spiritual stirrings and motivations for earnings management at an individual level. Thereafter, paired samplings were executed, and the list of pairs was based on the list of financial/accounting supervisors. A total

of 100 companies have got questionnaires after considering return questionnaires.

Because of cultural differences focus group interviews and content analysis must be taken into consideration for collection of data in the present study using Likert 5-point scale after conducting pre-testing. The questionnaire comprised 20 items; items 1 to 14 were the dimensions of attitudes and convictions, and items 15 to 20 were the dimensions of pressures from affiliated parties presenting Likert 5-point scale.

IV. EMPIRICAL ANALYSIS

In the present study, hierarchical linear model has been used on the assumption that (i) spiritual initiation, organizational spirituality and motivations are not significantly impact on inner satisfaction, self growth and experiences of organizational supervisors; (ii) there are no relationships between workplace spirituality and motivations for earnings management and (iii) the spiritual initiation of individuals is not influenced by organizational spirituality.

4.1 HIERARCHICAL LINEAR MODEL

4.1.1 CLUSTER ANALYSIS OF ORGANIZATIONAL LEVEL VARIANCES

The present study used ICC and r_{wg} coefficients to corroborate consistency, inconsistency and decisions purpose of diverse supervisors in an organization. The results are shown in Table 1. The r_{wg} values of the five organizational spiritual factors are all greater than 0.80. The ICC (1) coefficients are between 0.1998 and 0.4387, greater than 0.11; the ICC (2) coefficients are between 0.7528 and 0.8735, greater than 0.56. Therefore, it can be concluded that the aggregation of the organizational level variances with the five organizational spiritual factors measured with the sampling of individual supervisors is suitable.

Table 1 Cluster Analysis of Organizational Level Variables

Factors	ICC(1)	ICC(2)	r_{wg}
Inner satisfaction	0.2654	0.8735	0.87
Self growth	0.4387	0.8694	0.87
Diversified experience	0.3652	0.8252	0.84
Helping others	0.4006	0.8303	0.83
Pressures/ dynamics	0.1998	0.7528	0.84

4.3.2 NULL MODEL ANALYSIS

The present study qualified that the variables of the individual level (spiritual awakening) and the variables of the organizational level (organizational spirituality) had persuades on the motivations of financial/accounting personnel for earnings management. So as to authenticate the hypothesis, a null HLM model was used to substantiate that there are variances in the motivations of financial/accounting personnel for earnings management, and such variances are due to differences in organizations. The analysis model is as follows:

Level 1: Motivations for earnings management $ij = \beta_0j + r_{ij}$

Level 2: $\beta_0j = \gamma_{00} + U_{0j}$

Table 2 revealed that the residual variance of the intercept of the motivations of earnings management ($\tau_{00} = 0.45$, $p < 0.001$) attained a significant level. Consequently, the present study observed the front-end factors influencing the motivations for earnings management by way of null model test which suggested

that a cross-level analysis model should be created to confirm its reasonability, and the result is initially supported. Furthermore, it examined the $\rho_1(ICC)$ of 0.19, indicating that 19% of the variances in the motivations for earnings management are due to different organizations while the residual 81% variances could be explained by the internal variances of a particular organization. For that reason, it was unfeasible to perform an analysis through a simple regression model.

Table-2: Null Model Test

Independent variables	Fixed Effects		Random Effects		$\rho_1(ICC)$
	γ_{00}	Standard errors	τ_{00}	σ_2	
Motivations for earnings management	4.98*	0.09	0.45*	1.04	0.19

Note: * indicates $p < 0.001$

4.3.3 CONTEXTUAL MODEL ANALYSIS

The present paper used intercepts as results for the testing of the contextual model. The first level of HLM was defined as a complete model, and the intercept of the first level of the regression model was used as a variable for the second level. This model incorporated the variables of the second level to test whether the predictive variables of the second level reported any direct influence on the independent variables. The contextual model defined age, work history, and monthly income as control variables at the individual level; and industry, region, and revenue volatility as control variables at the organizational level. The model concerning the relationship of organizational spirituality to spiritual awakening was established based on the research hypothesis, expressed as follows:

Level-1: Spiritual awakening $ij = \beta_0j + \beta_1j(\text{age}_{ij}) + \beta_2j(\text{work history}_{ij}) + \beta_3j(\text{monthly income}_{ij}) + \gamma_{ij}$

Level-2: $\beta_0j = \gamma_{00} + \gamma_{01}(\text{organizational spirituality}_{ij}) + \gamma_{02}(\text{industry}_{ij}) + \gamma_{03}(\text{region}_{ij}) + \gamma_{04}(\text{revenue volatility}_{ij}) + \mu_{0j}$

The models of the influence of spiritual awakening and organizational spirituality on the motivations for earnings management are as follows:

Level-1: Motivations for earnings management $ij = \beta_0j + \beta_1j(\text{spiritual awakening}_{ij}) + \beta_2j(\text{age}_{ij}) + \beta_3j(\text{work history}_{ij}) + \beta_4j(\text{monthly income}_{ij}) + \gamma_{ij}$

Level-2: $\beta_0j = \gamma_{00} + \gamma_{01}(\text{organizational spirituality}_{ij}) + \gamma_{02}(\text{industry}_{ij}) + \gamma_{03}(\text{region}_{ij}) + \gamma_{04}(\text{revenue volatility}_{ij}) + \mu_{0j}$

Table 3 shows the analysis results. The fixed effects of organizational spirituality on spiritual awakening are significantly positive ($\beta = 1.061$, $p < 0.001$), with a R^2 of 0.552. The β coefficient of spiritual awakening to the motivations for earnings management is -0.547 ($p < 0.001$); and that of organizational spirituality to the motivations for earnings management is -0.215 , ($p < 0.001$), with a R^2 of 0.849. The test for intervening effects also supports the hypothesis ($F = 401.86$, $p < 0.001$).

Table-3: Contextual Model Test

Independent Variables		Spiritual Awakening	Earnings Management
Item		β Coefficients	β Coefficients
Interception		5.324*	18.658*
Individual Level	Predictive Variable-Spiritual Awakening		-0.547
	Control variable		
	Age	0.163	0.224
	Work history	0.057	-0.071
	Monthly income	0.024	-0.023
Organization Level	Predictive Variable-Organizational Spirituality	1.061*	-0.187*
	Control variable		
	Industry	0.287	-0.448
	Region	0.045	0.114
	Revenue	1571.87	0.028
	Volatility	1	
F		1571.87	401.86
R ²		0.552	0.849

Note: * indicates p<.001

V. CONCLUSIONS

The present study used the outlooks of a Hierarchical Linear Model with estranged workplace spirituality of spiritual awakening on the individual level and organizational spirituality on the organizational level. The empirical result legitimate that spiritual awakening and organizational spirituality are diverse gathers and manage to survives at unlike planes. The present study also substantiated that a negative association between workplace spirituality and earnings management. On the contrary, workplace spirituality can reduce in size of the motivations for earnings management. As well, the coefficient of spiritual awakening is noticeably greater than that of organizational spirituality. This study moreover establishes that the spiritual awakening of individuals is decidedly leave from end to end plead with of organizational spirituality and spiritual awakening is an urgent paramount subject.

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