Workplace Spirituality on Motivations for Earnings Management-An Empirical Analysis
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Abstract
This paper attempts to examine the influences on motivations for earnings management from the perspectives of workplace spirituality. The findings suggest that workplace spirituality is a new perception of individuals toward their lives and selves under the influence of the workplace. Such influence further affects 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. Most literatures address earnings management from the perspectives of audits or business ethics, and suggest that moral education is the best way to cope with this issue. However, a sole reliance on the awakening 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 relevant to the opportunistic behaviors of management.

Key words: Earnings management, workplace spirituality, motivations for earnings management.

INTRODUCTION
McCormick (1994) defines 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, work/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 organizations 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, conversely, little research concerning the relationships between culture, individual differences, and workplace spirituality. Workplace spirituality has turn 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 Arthasastra about spiritual practices embraced by the kings of yore in India (N.R. Aravamudhan, 2007). Today, we live in the transition period between the old definition of work as survival and the new definition of work as livelihood. New management techniques and new organizational structures are needed to handle this emerging context. Management in the endurance style has been based on directive and organizes. Nevertheless in a spiritual workplace, productivity is achieved in the course of fostering the appearance of the personality and the strength. A leader is to smooth the progress of the breakthrough of spirit, to value it, to commemorate it, and to grip others answerable for their appearance of it. Support employees and colleagues in being clear that part of their

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job accountability is to entirely articulate their spirit, their life purpose, and their gifts (Martin Rutte, 1996). Spirituality is imperative to community for entire individual performance in the workplace (Mitroff, 2003). This perception has been predominantly noteworthy in the workplace as workers try to handle the exceptional alterations and strain that persist to survive. This means that solitary must comprehend the influence of internal power so as to gratify the external life which possibly will escort to optimistic behavior for the organization (Ashmos & Duchon, 2000). Although spirituality is getting hold of magnitude in the workplace, this does not stand for that it reduces the importance of other values. Values are frequently exercised to formulate decisions; so far many people do not have a comprehensible thought of what work values are, in view of the fact that work values are the fundamental principles that persuade an individual’s work-related option. People whose livelihood path equivalents their anticipations and work values’ outline augment their probability of achieving job satisfaction and waiting longer within their chosen career (Dudeck, 2004).

In modern times spirituality indicates a process of transformation. Workplace spirituality is a concept of managing flourishing corporation or a method of attaining business success. Employee morale has a straight authority on business productivity that is why business uses huge sums of money trying to make working environments relaxed, enjoyable, and smooth comfortable. Spirituality is about people sharing and experiencing some common attachment, attraction, and togetherness with each other within their work unit and the organization as a whole. It is a continuing search for meaning and purpose in life; an appreciation for the depth of life, the expanse of the universe, and natural forces which operate it; and, it is a personal belief system (Eleanor Marschke et al, 2009). During modern times, corporate frauds in the organization have been enormously raised all over the world which includes false financial reporting, irregular transactions, inflated revenues, and assets embezzlement. As a result, investors loose their confidence about the financial reports of listed companies. Despite the fact that the board of securities exchanges and auditors all over the world has launched diverse lawful guidelines to augment frauds hindrance, charged disciplinary actions on immoral activities, and committed uninterrupted attempts on learning of business ethics, the financial tsunami in 2008 left financial industries in shuffles. The investors have more hesitations on the professional ethics of corporate supervision and auditors (Rahmat Hashim et al, 2009). Applications of changing financial transactions and its reports to give the wrong impression about the verdicts of investors into considering informational corporate concerts and persuading deal upshots anchored in untrue accounting books is described as earnings management (Healy et al, 1999).

Nonetheless, earnings management replicates the awareness’s of management, rather than the genuine operating outcomes of companies in terms of managerial performance, not measly financial dissimilarities (Goel et al, 2003; Chung et al., 2002). In this way many researchers have advocated about human nature, natural behavior, individual stances, values and credence. Actually the objectives of all economic activities imitate the spirit, knowledge, feelings of public, which emphasize the personality of human reality or decent at eases. This has caused a discrepancy between material and spiritual life. Hence, people have develop into more and more unease about the character of human subsistence (Sheep, 2006), with a gesture of studies of spirituality in management (Marschke, 2007). Harrington et al. (2001) point out about employees experienced with a basic alteration of work values. This pattern creates searching of spirituality and spiritual feelings ensuing from workplaces, which are called “workplace spirituality”. Conversely, a large amount of the literatures focuses on spirituality and spiritual feelings of individuals. Reed (1997) specified that more attention in relation to an academic nearsightedness thwarts a general vision of the workings of organizational powers and control relationships. Thus, the present study advocates that workplaces are not merely entities, groups, or hierarchical organizations, but it is better to say it is a combination of single layers with the adoption of the Hierarchical Linear Model.

MATERIALS AND METHODS

Research Design

The present study takes up a Hierarchical Linear Model based on the structure and power of workplace spirituality for investigation with the following research hypotheses.
Hypothesis 1
H$_0$: Organizational spirituality on the organizational level has a positive influence on spiritual awakening at the individual level.
H$_1$: Workplace spirituality has a negative influence on the motivations of earnings management.

Hypothesis 2
H$_0$: Spiritual awakening on the individual level has a negative influence on the motivations of earnings management at the individual level.
H$_0$: Organizational spirituality on the organizational level has a negative influence on the motivations of earnings management at the individual level.

Sampling Ideas
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.

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.

Questionnaire Reviews
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.

EMPIRICAL ANALYSIS
Hierarchical Linear Model
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.

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 \( i_j = \beta_0 + r_{ij} \)
Level 2: \( \beta_0 = \gamma_{00} + U_0 \)

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 \( p(ICC) \) 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.

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 \( i_j = \beta_0 + \beta_1 \text{age}_{ij} + \beta_2 \text{work history}_{ij} + \beta_3 \text{monthly income}_{ij} + \gamma_{ij} \)
Level-2: \( \beta_0 = \gamma_{00} + \gamma_{01} \text{organizational spirituality}_{ij} + \gamma_{02} \text{industry}_{ij} + \gamma_{03} \text{region}_{ij} + \gamma_{04} \text{revenue volatility}_{ij} + \mu_0 \)

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 \( i_j = \beta_0 + \beta_1 \text{spiritual awakening}_{ij} + \beta_2 \text{age}_{ij} + \beta_3 \text{work history}_{ij} + \beta_4 \text{monthly income}_{ij} + \gamma_{ij} \)
Level-2: \( \beta_0 = \gamma_{00} + \gamma_{01} \text{organizational spirituality}_{ij} + \gamma_{02} \text{industry}_{ij} + \gamma_{03} \text{region}_{ij} + \gamma_{04} \text{revenue volatility}_{ij} + \mu_0 \)

CONCLUSION
The present study used the outlooks of a Hierarchical Linear Model with alienated workplace spirituality of spiritual awakening on the individual level and organizational spirituality on the organizational level.
The results authenticated that spiritual awakening and organizational spirituality are diverse assembles and subsist at unlike planes. The present study also substantiated a negative association between workplace spirituality and earnings management. On the contrary, workplace spirituality can shrink the motivations for earnings management. Besides, the coefficient of spiritual awakening is considerably greater than that of organizational spirituality. This study moreover establish that the spiritual awakening of individuals is highly put through persuade of organizational spirituality and spiritual awakening is an imperative overruling issue.

REFERENCES

Martin Rutte (1996). Spirituality in the Workplace, Santa Fe, New Mexico, 505, 466-1510.

**Table-1: Cluster Analysis of Organizational Level Variables**

<table>
<thead>
<tr>
<th>Factors</th>
<th>ICC(1)</th>
<th>ICC(2)</th>
<th>r_wg</th>
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<tbody>
<tr>
<td>Inner satisfaction</td>
<td>0.2654</td>
<td>0.8735</td>
<td>0.87</td>
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<tr>
<td>Self growth</td>
<td>0.4387</td>
<td>0.8694</td>
<td>0.87</td>
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<tr>
<td>Diversified experience</td>
<td>0.3652</td>
<td>0.8252</td>
<td>0.84</td>
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<tr>
<td>Helping others</td>
<td>0.4006</td>
<td>0.8303</td>
<td>0.83</td>
</tr>
<tr>
<td>Pressures/ dynamics</td>
<td>0.1998</td>
<td>0.7528</td>
<td>0.84</td>
</tr>
</tbody>
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**Table-2: Null Model Test**

<table>
<thead>
<tr>
<th>Independent Variables for earnings management</th>
<th>( \gamma_0 )</th>
<th>Standard errors</th>
<th>( \tau_0 )</th>
<th>( \omega_2 )</th>
<th>( \rho_1 ) (ICC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivations for earnings management</td>
<td>4.98*</td>
<td>0.09</td>
<td>0.45*</td>
<td>1.04</td>
<td>0.19</td>
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</tbody>
</table>

Note: * indicates p<.001

**Table-3: Contextual Model Test**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Spiritual Awakening</th>
<th>Earnings Management</th>
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<tbody>
<tr>
<td>Item</td>
<td>( \beta ) Coefficients</td>
<td>( \beta ) Coefficients</td>
</tr>
<tr>
<td>Interception</td>
<td>5.324*</td>
<td>18.658*</td>
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**Individual Level**

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<tr>
<th>Predictive Variable-Spiritual Awakening</th>
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**Control variable**

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<th>Age</th>
<th>0.163</th>
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<tr>
<td>Work history</td>
<td>0.057</td>
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<tr>
<td>Monthly income</td>
<td>0.024</td>
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</table>

**Organization Level**

<table>
<thead>
<tr>
<th>Predictive Variable-Organizational Spirituality</th>
<th>1.061*</th>
<th>-0.187*</th>
</tr>
</thead>
</table>

**Control variable**

<table>
<thead>
<tr>
<th>Industry</th>
<th>0.287</th>
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<tbody>
<tr>
<td>Region</td>
<td>0.045</td>
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<tr>
<td>Revenue</td>
<td>1571.87</td>
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<tr>
<td>Volatility</td>
<td>1</td>
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<tr>
<td>R²</td>
<td>0.552</td>
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Note: * indicates p<.001