Workplace Spirituality and Earnings Management Motivations

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ABSTRACT

The paper examines the influence of aspects of two aspects of workplace spirituality on earnings management motivations. The aspects are (1) spiritual awakening on the individual level; and (2) organizational spirituality at the organizational level. Empirical analysis confirmed that the two aspects are different constructs that exist at different levels. The findings suggest that workplace spirituality gives individuals a new perception about their lives and selves, enables them to acknowledge self-group relationships, and affects their actions. Furthermore, it was found that spiritual awareness has a mediating effect between organizational spirituality and earnings management, which is greater than the direct effect of organizational spirituality on earnings management motivations. Results show no significant variances in the awareness of workplace spirituality among people with different religious beliefs. The results also indicate that a sole reliance on the realization of individual ethics may not be sufficient to amend the current chaos regarding earnings management.

Keywords: Earnings management, workplace spirituality, earnings management motivations
1. INTRODUCTION

In recent years, there has been an increase in the number of corporate frauds around the world. Many of these incidents involve false financial reporting, irregular transactions, inflated revenues, and asset embezzlement. One result is that investors lose confidence in the management teams and financial reports of many listed companies. Although government authorities that regulate securities exchanges and auditing industries have established laws and regulations to prevent fraud, have levied punitive measures on unscrupulous behaviors, and have devoted great effort to educate individuals about business ethics, the financial tsunami in 2008 left financial industries around the world in shambles. As a consequence, the public now has even more doubts about the professional ethics of corporate management and auditors.

The practice of altering transactions and financial reports to mislead investors into believing reported corporate performances and to influence contract results using falsified accounting books is called earnings management [Healy and Wahlen, 1999; Daniel, 2010]. Most discussions of earnings management focus on the financial perspectives, but earnings management reflects the interests of management rather than the real operating results of companies. Earnings management is in fact a managerial behavior, not a mere financial variation [Goel and Thakor, 2003; Chung, Firth and Kim, 2002]. For this reason, many studies have suggested that these issues should be analyzed from a psychological or behavioral aspect, such as human nature. Some studies have shown that, when individuals face pressure from their managers or organizations, they may act against their own better nature. In other words, personal attitudes, values, and beliefs that generally govern spontaneous behavior may be compromised or ignored under pressure [Lightner et al., 1982; Lord and DeZoort, 2001; Giacalon, 2009].

Economic activities reflect the will, experiences, and emotions of people, and thus reveal human nature and moral content. With the formation of a knowledge-based economy and the acceleration of material satisfactions due to technological advancements at the end of the 20th century, many people began to exhibit spiritual emptiness, moral abnormalities, twisted social values, greed, and
all kinds of crimes because of the imbalance between their material and spiritual lives. This situation has prompted people to become increasingly concerned about the nature of human existence, and has led to more and more discussion and study of the issue [Jurkiewicz and Giacalone, 2004; Klenke, 2005; Sheep, 2006] and to a wave of studies on spirituality in management [Cavanagh, 1999; Marschke, 2007; Giacalon, 2009].

Jue and Wedemeyer [2002] suggested that the management model based on human nature in yesterday’s industrial economy is under challenge because management theories from the industrial age cannot entirely explain, let alone resolve, problems in today’s knowledge economy. Hence, the focus in management study has shifted to discussions of spirituality and spirituality management in today’s knowledge economy [Sheep, 2006; Moore and Casper, 2006]. Harrington et al. [2001] indicated that, at the beginning of the 21st century, employees experienced a fundamental change in work values. This paradigm shift was as profound as the information age and prompted many to begin exploring issues of spirituality and spiritual feelings resulting from the workplace. The term they use is “workplace spirituality.”

Most of the studies on spirituality focus on the spiritual feelings of individuals. Reed [1997] and Thompson [1993] indicated that excessive attention to details causes intellectual myopia, which obscures an overall view of the workings of organizational powers and control relationships. The current study, therefore, takes the position that workplaces are not simply entities, groups, or hierarchical organizations, but are instead an aggregation of different levels, rather than a combination of single layers. For this reason, the hierarchical linear model is adopted for analysis.

2. LITERATURE REVIEW

This section discusses the meaning of workplace spirituality, the implications of earnings management motives, and the relationship between workplace spirituality and earnings management motivations.
2.1. Meaning of Workplace Spirituality

At the end of the 1960s, many researchers proposed that humanism is too self-centric and narrow, and thus has the tendency to evolve into solipsism. Since then, some scholars began to explore deeper psychological aspects [Daniels, 1988], which is how transpersonal psychology emerged. Many scholars, pointing out that the old paradigms are not sufficient to respond to all human experiences, proposed a fourth level, namely spirituality. Generally speaking, spirituality is considered a life essence that exceeds the self and is a higher level of human awareness [Jarvis, 2001; English and Gillen, 2000; Giacalon, 2009]. After proposing his five-level needs theory, Maslow [1969] suggested that spirituality is the highest level of needs, exceeds self-realization, and is a part of the essence of human existence. Without spirituality, human nature is incomplete. Although it is true that the self, self-recognition, and an inner core are part of a happy life, the field of organizational management is trapped under the limitations of rational myth. In other words, it posits that emotional factors should be excluded if an organization is to operate smoothly. The inner world of organizational members is confined, therefore, to a model of complete rationality, leaving no room for spirituality. For this reason, issues surrounding spirituality have been largely ignored by organizational management [Robbins, 2002].

Spiritual emptiness, moral abnormalities, twisted social values, greed, and all kinds of crimes have caused an imbalance in the material and the spiritual life of an individual. This imbalance has serious impacts on work values and the workplace ethics of employees. Mitroff and Denton [1999] found that most of the employees they interviewed indicated that their “souls” have been damaged by work. This damage, however, is seldom seen on the surface. Donde and Dennis [2000] indicated that, from the 1980s to the 1990s, many companies made extensive efforts to downsize, re-engineer, and streamline in order to stimulate their organizations. Their efforts had an opposite and disappointing result in that morale steeply declined. Elliott and Lemert [2006] suggested that maintaining an aggressive, but liberal, personality, able to interact appropriately with others/subjects, and upon one’s own identity, within a global environment, is the new individualism.

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As workplaces become the center of everyday life, social contact and interpersonal concerns have been reduced; thus, many scholars have attempted to identify effective ways to stimulate the internal strengths of employees by introducing spirituality into organizational management. The new focus on workplace spirituality is also deemed as a response to the greed that emerged in the 1980s, and as an expression of reflections of corporations [Jurkiewicz and Giacalone, 2004; Carole and Robert, 2004; Kale and Shrivastava, 2003; Long and Mills, 2010]. Valente [1995] argued that confusion about life and the desire to seek the meaning of life have resulted in increased curiosity about Oriental religions and philosophies, such as Buddhism and Confucianism, which encourage one to seek spiritual values and shared identification through meditation, reflection, and activities that stress loyalty to the organization. Dehler and Welsh [1994] suggested that contemporary organizations must provide physical, mental, emotional, and spiritual energies to employees.

This paper summarizes relevant literature and suggests that workplace spirituality is a mutual contribution on the part of individuals and work groups, which enhances the meaning of work and the enlightenment of self-transcendence, in order for individuals to feel the value and completion of life. Workplace spirituality differs from individual spirituality in that individuals, in the former instance, explore the meaning of life and work through work itself. Workplace spirituality, therefore, has multiple impacts. For example, Sheep [2006] examined spirituality from the perspectives of organizational society, and found that the influence of workplace spirituality transcends that of individuals, organizations, and societies. Garcia-Zamor [2003] also suggested that the purpose of spiritual pursuits by individuals in the workplace is to discover the meaning of spirit to enhance freedom at work. The purpose for organizations to develop spirituality at workplaces is to link spirituality and ethics, which echoes the organizational culture and improves organizational productivity. This paper, therefore, divides workplace spirituality into two levels for analysis; namely, the spiritual awakening of the individual, and organizational spirituality. Spiritual awakening refers to realizing life’s value and meaning via experiences through work or workplaces. It is an introspective process, where individuals connect with others, societies, and all beings in nature in a profound manner, in order to
generate a new set of conceptions, awareness, and perceptions that go beyond usual sensory experiences. Organizational spirituality is the establishment of the identity and concerns shared within an organization. Employees feel a meaning of life that work creates via spiritual conversations, listening, and coping with pressures and challenges through spiritual learning and growth.

2.2. **Implications of Earnings Management Motives**

Earnings management aims to achieve certain purposes by manipulating relevant accounting practices, under generally accepted accounting principles, so that the earnings shown on financial reports achieve pre-determined targets. Based on this definition, there are three major prerequisites:

1. Under generally accepted accounting principles, adjustments and changes are purposefully made in order to report earnings that meet the expected targets.
2. Accounting practices and the compilation of reports are manipulated purposefully in order to meet the expectations of management or certain individuals.
3. Creative adjustments or twisting of actual financial performances is made in order to meet operational targets.

Studies on the motivations or incentives of earnings management are mostly conducted on the basis of audits, and few studies have focused on the perspectives of behavior. Relevant literature can be divided into two categories: (1) risk assessment, which aims at developing analytical or predicative indicators to evaluate degrees of earnings management and assist in differentiating the quality of earnings information [Hansen et al., 1996; Summers and Sweeney, 1998]; and (2) assessment of fraud, which aims to analyze the discerning skills of auditors of unscrupulous behavior [Bernardi, 1994; Reckers and Schultz, 1993].

Earnings management motivations can be divided into the following categories:

1. **Attitudes and convictions.** This category refers to the perceptions and behavior tendencies of individuals toward the practice of earnings management and can be classified into altruism (i.e., for the benefit of
companies by avoiding share price slumps), selfishness (i.e., for personal gains, such as bonuses), and behavior beliefs (i.e., the expectations of potential pros and cons resulting from the behavior of earnings management).

Fischer and Rosenzweig [1995] found that accountants are more sensitive to accounting manipulations, whereas managers are more tolerant toward operating manipulations. Merchant and Rockness [1994] and Elias [2002] indicated that the interviewees from varying professional backgrounds show significant variances in the moral judgment of earnings management.

2. Pressures from affiliated parties. This category refers to the tendency of management to become engaged in earnings management because of requests from financially affiliated parties, such as supervisors, colleagues, accountants, shareholders, creditors, or analysts. Ayres [1994] suggested that the motivations for earnings manipulations may be to meet expectations of shareholders regarding dividend distributions. DeZoort and Lord [1994], Becker et al. [1998], and Lord and Dezoort [2001] indicated that accountants may engage in earnings management under pressure from peers, clients, or supervisors.

2.3. Relationship of Workplace Spirituality and Earnings Management

Earnings management is highly relevant to human greed [Scott, 2006; Long and Mills, 2010]. The demand for business ethics cannot effectively prevent earnings management by corporate managers [Brooks, 2000]. Merchant and Rockness [1994] and Elias [2002], however, indicated that interviewees from various professional backgrounds showed significant variances in moral judgments of earnings management. An important issue in organizational management studies, therefore, is what new methods are available to curb earnings management. As Scott [2006], Goel and Thakor [2003], and Dechow and Skinner [2000] emphasized, earnings management is an economic activity of managers, and therefore, relevant discussions should return to their behaviors. Although many scholars have addressed the issues of earnings management from psychological or behavioral aspects, such efforts remain insufficient [Goel and Thakor, 2003; Daniel, 2010]. Earnings management is an economic activity, and
the purpose of operational activities is to present the existing value of people. Therefore, the focal point of discussions on earnings management should be centered on the value of human existence in order to gain a true understanding of the purposes of such activities. The value of human existence is one of the basic concepts of workplace spirituality.

From the ethical point of view, the main purpose of earnings management is to mislead interested parties into false belief concerning the operational performance of a company [Healy and Wahlen, 1999], in order to enhance the personal gains of management at the expense of shareholders’ rights [Goel and Thakor, 2003; Turner, 2002; Daniel, 2010]. Earnings management, therefore, violates corporate ethics, and is detrimental to social justice. Schmidt, Theopold and Strand [2000] argued that the development of spirituality with a focus on principles, virtues, ethics, values, emotions, intelligence, and intuition can enhance ethics based on human nature, courage, and intelligent capacity. Nix [1997] and Freshman [1999] also suggested that spirituality helps to improve social responsibilities of workplaces and gives organizational members a sense of responsibility.

This new framework for the interpretation of ethics is based on spirituality and social justice. In other words, the development of workplace spirituality can transfer ethics and social justice into values from within individuals, rather than a set of external restrictions imposed by regulations concerning moral standards. Jurkiewicz [2002] indicated that workplace spirituality can be combined with multiple ethics and be integrated into work and personal values by reducing regulations and standards of formal ethics. Ebaugh [2002] and Giacalon [2009] stated that workplace spirituality helps individuals to avoid behaviors that may jeopardize their own career development. Thompson [2000] suggested that the enhancement of spirituality can greatly enhance shareholders’ value and returns on investments. On the other hand, the main influence of earnings management is to suit the specific purposes of managers on shareholders’ value. Therefore, workplace spirituality should reduce earnings management motivations.

Forster [2008] emphasized that the management of modern companies should be based on spiritual elements, rather than the manipulation of financial
reporting in order to show maximum profits. Giacalone and Jurkiewicz [2003] further indicated that there is a strong mutual connection between workplace spirituality and earnings perspectives. Fernando and Jackson [2006] pointed out that the concept of workplace spirituality on the part of leaders exhibits influence on their decision behaviors. Empirically, the practice of earnings management in financial accounting [Kaplan, 2001] and budgetary inflations in management accounting [Douglas and Wier, 2000] are highly relevant to the inner values of leaders. Therefore, this paper suggests that workplace spirituality can enhance the inner ethics and moral standards of individuals or organizations, and influence various decision behaviors, thereby resulting in reduced occurrences of earnings management.

3. Research Method

This section discusses the research structure for this study, the sample of subjects, and questionnaire design.

3.1. Research Structure

Since the establishment and influence of workplace spirituality comprises many levels, this study adopts a hierarchical linear model (HLM) for analysis. Given that reality in a given organization is nested, with one phenomenon layered on top of another, use of a hierarchical linear model can provide a better understanding of organizational operations. The overall research structure of this paper is depicted in Figure I. The research hypotheses are proposed as follows.

H1: Organizational spirituality on the organizational level has a positive influence on spiritual awakening at the individual level.
H2: Workplace spirituality has a negative influence on earnings management motivations.
H2a: Spiritual awakening on the individual level has a negative influence on earnings management motivations at the individual level.
H2b: Organizational spirituality on the organizational level has a negative influence on earnings management motivations at the individual level.
3.2. Sample of Subjects

In this study, a focus group seminar was held to collect information before the questionnaire survey was conducted in order to identify cross-cultural issues. Then, the principle of critical incident techniques (CIT) for task analysis was used to analyze the data collected at the seminar. Results of the analysis were used to design the questionnaire.

3.2.1. Focus group targets

Since the subjects of workplace spirituality were workers/employees, and there was no difficulty in accessing sample sets throughout Taiwan, this study adopted stratified sampling by dividing Taiwan into northern, central, and southern regions. Two colleges/universities were selected in each region. At each site, faculties and departments offering programs to full-time working professionals were then contacted in order to arrange interviews with a total of 51 people. Since this study sampled only working professionals who were studying part-time in a college/university, the majority of respondents were highly educated, below 45 years old, single, and...
high earners. Of the total, 31.37% were religious and the remaining 70.59% had never taken part in any spiritual (potential) development program. All the respondents were encouraged to express their opinions. It was expected that the influence of their experiences or religious beliefs would be insignificant.

3.2.2. Questionnaire surveys

The analysis of earnings management requires statistical data from financial reports. This study, therefore, sampled listed companies on the Taiwan Stock Exchange and OTC, but excluded the financial industry sector (including banks, insurance companies, and securities firms) because their industry characteristics, earnings calculations, and business models are different. The study also adopted a hierarchical linear model (HLM) with two research levels: personal and organizational.

In order to avoid sourcing data from the same respondents and the resulting common method variance (CMV), Scott and Bruce [1994] and Podsakoff and Organ [1986] suggested that different versions of the questionnaire should be developed – one version for employees and another for supervisors. Accordingly, this study divided the questionnaires into two sets – one set that was administered to financial/accounting personnel and another set that was administered to supervisors. The results of questionnaires filled out by the financial/accounting staff of the sampled companies provided answers that represent spiritual awakenings and earnings management motivations at an individual level. In contrast, the results of questionnaires filled out by supervisors of the sampled companies provided data that represent organizational spirituality at the organizational level. Paired samplings were performed, and the list of pairs was based on the list of financial/accounting supervisors, as provided by the databank of the Taiwan Economic Journal.

After the questionnaires were distributed for the first time, telephone calls were made to confirm that questionnaires were received by the appropriate recipients. If not, the questionnaires were resent. A total of 902 companies received copies of the questionnaires, and 265 of the companies returned effective questionnaires, for a valid return rate of 29.38%. Within the 265
companies, 338 valid questionnaires were filled out by supervisors, and 650 were completed by financial/accounting personnel.

In order to avoid errors due to differing times of questionnaire recovery, this study divided the questionnaires returned in 2008 and 2009 into two groups, and conducted t-tests on the sampled data to verify whether any response errors occurred. The t-tests were conducted by analyzing data for the two sampled groups, relating to gender, age, education level, marital status, work history, service tenure, monthly income, life philosophy, and religious belief. The test showed that none of the p-values of individual variables reached a significance level, indicating that the timing of the questionnaire recovery did not lead to any differences in sampled data. This study concluded, therefore, that there should be no significant variances in the respective variables concerning the respondents and non-respondents. The lack of response difference has limited impact on this research project.

3.3. Questionnaire Design

Since cultural differences must be taken into account, this study first collected data from focus group interviews and from content analysis of workplace spirituality. Based on the results, a Likert 5-point scale was designed. In addition, pre-testing was conducted before the formal questionnaire survey was administered.

The design of the focus group interviews was based mainly on literature review. Since workplace spirituality is perceived or developed by organizational members in relation to their workplaces, the questionnaire asked the interviewees to indicate whether, after working for a period of time, they have ever experienced the essence of life, the value of their own existence, or a relationship between a individual and the universe. The interviewees described each scenario and their feelings at that time. The description included the reasons and impacts on the body and mind.

With prior consent from the interviewees, this study recorded the interviews and transcribed the contents before conducting a content analysis of the transcripts based on the CIT principle. First, it invited three scholars to serve as
coders. These scholars were well versed regarding workplace spirituality and were also familiar with content analysis, and all had work experiences in business circles. (Most people are unlikely to be familiar with both workplace spirituality and content analysis.) Then, this study referred to the above-mentioned literature and summarized the contents of relevant concepts in order to create principles for the theme extracts. The themes were extracted from transcripts word by word. That is, the sentences or paragraphs that met the research purposes and the above principles were identified for integration into analysis units for further processing. A total of 99 themes were synthesized.

Second, the coders classified the individual themes into appropriate concepts. After these were confirmed by the coders, they were asked to determine the levels of agreement (i.e., the number of agreed themes/total number of themes). The result was an average value of 0.88. This study then calculated reliability (number of people* level of mutual agreement) / (1+ (number of people-1) × level of mutual agreement). The computed reliability was 0.98.

After reliability of the individual themes was confirmed, the themes were integrated and classified into corresponding concepts for establishing questionnaire items. A total of 27 items measured the concepts of workplace spirituality, and the last item was a rhetorical question. Next, questionnaires were developed for supervisors (i.e., to measure organizational spirituality) and for financiers/accountants (i.e., to measure spiritual awakening). The content of the items was presented with a Likert 5-point scale, except for the part dealing with personal and company data. (See Appendix A for a summary of the workplace spirituality scale.)

This study addressed issues concerning earnings management motivations from the perspectives of behavioral intentions in the questionnaire design. It referred to the earnings management intention questionnaire developed by Gillett and Uddin [2002] and the earnings management scenarios questionnaire developed by Merchant and Rockness [1994], and Fischer and Rosenzweig [1995]. These measurements are mature and well-established, and have been adopted and verified by many studies; therefore, this study did not perform pre-testing. The questionnaire on earnings management motivations included 20 items. Items 1 through 14 measured attitudes and convictions, and items 15
through 20 measured pressures from affiliated parties. In both cases, the results were presented on a Likert 5-point scale. (See Appendix B for a summary of the earnings management motivations scale.)

4. RESEARCH ANALYSIS

This section presents a discussion of factor analysis and reliability analysis, revelance analysis, and the hierarchical linear model.

4.1. Factor Analysis and Reliability Analysis

This study conducted a Kaiser-Meyer-Olkin (KMO) test and a Bartlett test on the data concerning spiritual awakening, organizational spirituality, and earnings management motivations in order to determine whether it was appropriate to perform a factor analysis. The results showed that the KMO value of organizational spirituality was 0.93 (p <0.001), and that of spiritual awakening was 0.92 (p <0.001), and that of earnings management motivations was 0.94 (p <0.001). Based on these results, Varimax was used for factor analysis.

The measurement of organizational spirituality was based on the results of questionnaires filled out by financial/accounting supervisors of the sampled companies. Their assessments represented results at the organizational level. Because some supervisors worked at the same companies, this study calculated the average value of these respondents and used the average to represent their companies. The results of the factor analysis on organizational spirituality extracted five factors, which could explain an accumulation of 72.07% variables. Since the factor loadings for all the questions were greater than 0.5, all items were retained. Based on relevant literature, the items are named as follows:

1. **Inner satisfaction**

This item implies that an organization should provide a sense of security and belonging for employees, allowing them to accept themselves and others in order to create their own satisfaction and happiness. In this way, they are more willing to be concerned about organizational issues and to become involved in tasks.
2. **Self-growth**
   This item refers to guidance provided to employees by an organization with regard to self-reflection, development of inner stability, and self-identity in order to nurture characteristics such as honesty, equality, and love.

3. **Diversified experience**
   This item refers to initiatives taken by an organization to develop employees’ ability to face different aspects of life. With a diversified pool of contacts and developments, employees can broaden their experience and embrace changes, freeing themselves from the past.

4. **Helping others**
   This item refers to positive and tolerant attitudes fostered by an organization to encourage employees to actively take responsibility, work hard, and make an effort to finish tasks.

5. **Pressures/dynamics**
   This item refers to appropriate challenges and competitiveness in workplaces, as well as mechanisms in place to guide employees in a positive direction, which, in turn, drives changes.

Financial/accounting personnel of the sampled companies completed a questionnaire measuring spiritual awakening. The results of the factor analysis on this aspect extracted five factors that could explain an accumulation of 63.50% variables. The factor loadings of all the questions were greater than 0.5; thus, all items were retained. Based on relevant literature, the items are named as follows:

1. **Realization of the meaning and value of life**
   This item refers to the nourishing effects of workplace spirituality on inner spiritual life, the affirming processes of self-existence and harmonious feelings with external environments, thus, achieving growth and satisfaction in work responsibilities and self-awareness.

2. **Inner explorations**
   This item refers to introspective action in which individuals self-reflect, think about things in a different light so as to sense their direction from within, and thus realize themselves.
3. **Mutual assistance**
   This item refers to tolerance, caring, and helping others through characteristics such as honesty, equality, and love.

4. **Transcendent experience**
   Transcendence is a self-aware experience that requires flexibility for change and a diversified environment to encourage such an experience. Therefore, interaction with different types of people and groups, as well as a wide range of experiences in the workplace, helps to develop individual acknowledgement of workplace spirituality.

5. **Mental challenges**
   Mental challenges are the scenarios that prompt or guide spiritual growth and changes of individuals under stressed and challenging situations.

Two factors were extracted from the analysis of the factors influencing earnings management motivations, which could explain 68.03% (accumulative) variances. The factor loadings of all the questions were greater than 0.5, thus, all items were retained. Based on relevant literature, the items are named as follows:

1. **Attitudes and convictions**
   This item refers to earnings management motivations as a response to any potential crisis that a company or individual may face (such as the avoidance of a loss of confidence by banks, the avoidance of share price collapse, the reduction of tax burdens, or threshold achievements of a public company), and the conviction in the expected results (such as the expectations for potential pros and cons resulting from earnings management).

2. **Pressures from affiliated parties**
   This item refers to the tendency of management to become engaged in earnings management because of requests from financially affiliated parties, such as supervisors, colleagues, accountants, shareholders, creditors, or analysts.
This study used Cronbach’s α as the tool to perform reliability tests. The Cronbach’s α of the measurement for spiritual awakening was 0.937; that of the measurement for organizational spirituality was 0.933; and that of the measurement of earnings management motivations was 0.964. The Cronbach’s α values of all the constructs were above 0.8, indicating good reliability.

4.2. Relevance Analysis

According to the relevance analysis of the variables, there is a significant correlation among individual variables; however, it does not reach a high correlation of close to ±1. There is a significant and positive correlation between the variables of organizational spirituality (i.e., inner satisfaction, self-growth, diversified experience, helping others, and pressures/dynamics), and the variables of spiritual awakening (i.e., understanding of life meaning and values, inner exploration, mutual assistance, transcendent experience, and mental challenges). The correlation coefficients are between 0.41 and 0.5. There is a significant negative correlation between the variables of organizational spirituality and earnings management motivations (e.g., attitudes, convictions, and pressures from affiliated parties), as well as between the variables of spiritual awakening and earnings management motivations. The correlation coefficients are between -0.42 and -0.63.

4.3. Hierarchical Linear Model

This section discusses the cluster analysis of organizational-level variances, null model analysis, and contextual model analysis.

4.3.1. Cluster Analysis of Organizational Level Variances

This study used ICC and rwg coefficients to confirm whether there is a consistency in the determination and judgment of different supervisors in an organization, and whether there are any variances across different organizations. The results are shown in Table 1. The rwg values of the five organizational spiritual factors are all greater than 0.90. The ICC (1) coefficients are between 0.23 and 0.49, greater than 0.12; and the ICC (2) coefficients are between 0.81 and 0.92, greater than 0.60. Therefore, it could be concluded that the aggregation
of the organizational-level variances with the five organizational spiritual factors measured with the sampling of individual supervisors is appropriate.

<table>
<thead>
<tr>
<th>Factors</th>
<th>ICC(1)</th>
<th>ICC(2)</th>
<th>$r_{wg}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner satisfaction</td>
<td>0.30</td>
<td>0.92</td>
<td>0.95</td>
</tr>
<tr>
<td>Self-growth</td>
<td>0.49</td>
<td>0.92</td>
<td>0.94</td>
</tr>
<tr>
<td>Diversified experience</td>
<td>0.39</td>
<td>0.88</td>
<td>0.92</td>
</tr>
<tr>
<td>Helping others</td>
<td>0.41</td>
<td>0.89</td>
<td>0.91</td>
</tr>
<tr>
<td>Pressures/ dynamics</td>
<td>0.23</td>
<td>0.81</td>
<td>0.92</td>
</tr>
</tbody>
</table>

### 4.3.2. Null Model Analysis

This study inferred that the variables of the individual level (spiritual awakening) and the variables of the organizational level (organizational spirituality) had influences on the motivations of financial/accounting personnel for earnings management. In order to validate this hypothesis, this study applied a null HLM model to confirm that there are variances in the motivations of financial/accounting personnel for earnings management and that such variances are due to differences in organizations. The analysis model is as follows:

**Level 1:** Earnings management motivations $i = \beta_0 + r_{ij}$

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

As shown in Table 2, analysis revealed that the residual variance of the intercept of earnings management motivations ($\tau_{00} = 0.56$, $p < 0.001$) reached a significant level. Therefore, through null model testing, this study examined the front-end factors influencing earnings management motivations. It was suggested
that a cross-level analysis model should be constructed to validate its reasonability, and the result is initially supported. This study further examined the $\rho_1$(ICC) of 0.26, indicating that 26% of the variances in earnings management motivations are due to different organizations, whereas the remaining 74% of variances could be explained by the internal variances of a given organization. It was impossible, therefore, to conduct an analysis through a simple regression model; instead, intra-group variances were taken into account.

Table 2

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
<th>$\rho_1$(ICC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Management</td>
<td>$\gamma_0$</td>
<td>$\tau_{00}$</td>
<td>$\sigma_2$</td>
</tr>
<tr>
<td>Motivations</td>
<td>6.30*</td>
<td>0.56*</td>
<td>1.62</td>
</tr>
<tr>
<td></td>
<td>0.12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * indicates $p<.001$

4.3.3. Contextual Model Analysis

This study applied intercepts as outcomes to testing 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 earnings management motivations are as follows:

Level 1: Earnings management motivations \( _{ij} = \beta_{0j} + \beta_{1j}(\text{spiritual awakening}_{ij}) + \beta_{2j}(\text{age}_{ij}) + \beta_{3j}(\text{work history}_{ij}) + \beta_{4j}(\text{monthly income}_{ij}) + \gamma_{ij} \)

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 presents the results of the contextual model test. As indicated, the fixed effects of organizational spirituality on spiritual awakening are significantly positive (\( \beta = 1.340, p<0.001 \)), with an \( R^2 \) of 0.619. The \( \beta \) coefficient of spiritual awakening to earnings management motivations is -0.629 (\( p<0.001 \)); and that of organizational spirituality to the earnings management motivations is -0.215, (\( p<0.001 \)), with an \( R^2 \) of 0.764. The test for intervening effects also supports the hypothesis (\( F=259.234, p<0.001 \)).
### Table 3

**Results of Contextual Model Test**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Spiritual Awakening</th>
<th>Earnings Management Motivations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item</strong></td>
<td><strong>β coefficient</strong></td>
<td><strong>β coefficient</strong></td>
</tr>
<tr>
<td>Interception</td>
<td>6.155 *</td>
<td>23.552*</td>
</tr>
</tbody>
</table>

**Predictive variable**
- Spiritual awakening: -0.629 *

**Control variable**
- Age: 0.108
- Work history: 0.068
- Monthly income: 0.014

**Predictive variable**
- Organizational spirituality: 1.340 *

**Control variable**
- Industry: 0.197 *
- Region: 0.050
- Revenue volatility: 1047.291 *

\[ F = 1047.291* \]
\[ R^2 = 0.619 \]
\[ R^2 = 0.764 \]

**Note:** * indicates p<.001
5. CONCLUSIONS

Many disputes and issues await clarification with regard to the definition and scope of workplace spirituality. Based on literature review and focus group interviews, this study found that many studies on workplace spirituality ignore the essence and concepts of the workplaces. This study, therefore, adopted the perspectives of a hierarchical linear model (HLM), and divided workplace spirituality into two aspects: (1) spiritual awakening on the individual level, and (2) organizational spirituality on the organizational level.

Results of the empirical analysis confirmed that spiritual awakening and organizational spirituality are different constructs and exist at different levels. Further analysis confirmed a negative correlation between workplace spirituality and earnings management. In other words, workplace spirituality can reduce earnings management motivations. In addition, the coefficient of spiritual awakening is significantly greater than that of organizational spirituality. This means that the motivations for earnings are more subject to the influence of spiritual awakening, which is consistent with the above-mentioned status of people as the center of economic activities.

The empirical study also found that the spiritual awakening of individuals is highly subject to the influence of organizational spirituality and that spiritual awakening is an important intervening factor. This study did not find any similar conclusion from past literature. Undoubtedly, this is an encouraging result, and one of the major theoretic contributions of this paper.

According to the results of background variables testing, believers of different religions do not exhibit any significant variances in their perceptions of workplace spirituality. This result is consistent with Mitroff and Denton (1999), Claude and Zamor (2003), and Twigg and Parayitam (2006), all of whom stated that workplace spirituality is not necessarily related to religion.
## Appendix A

### WORKPLACE SPIRITUALITY SCALE SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>At work, I’m willing to influence others with positive attitude and care.</td>
</tr>
<tr>
<td>2</td>
<td>At work, I am willing to actively help others.</td>
</tr>
<tr>
<td>3</td>
<td>At work, I know how to mediate on myself.</td>
</tr>
<tr>
<td>4</td>
<td>At work, I know how to think from different angles.</td>
</tr>
<tr>
<td>5</td>
<td>At work, I recognize myself and establish my career.</td>
</tr>
<tr>
<td>6</td>
<td>At work, I am willing to tolerate others.</td>
</tr>
<tr>
<td>7</td>
<td>At work, I can carry out honesty, equality, and love</td>
</tr>
<tr>
<td>8</td>
<td>At work, I am willing to sacrifice myself and do not claim credits</td>
</tr>
<tr>
<td>9</td>
<td>At work, I reflect on my mistakes and improve them</td>
</tr>
<tr>
<td>10</td>
<td>At work, I can retain my personality and will not affected by others</td>
</tr>
<tr>
<td>11</td>
<td>My workplace is challenging to some degree.</td>
</tr>
<tr>
<td>12</td>
<td>My workplace provides diverse contacts and development.</td>
</tr>
<tr>
<td>13</td>
<td>My workplace has free but effective supervision</td>
</tr>
<tr>
<td>14</td>
<td>In my workplace, I can change my past self.</td>
</tr>
<tr>
<td>15</td>
<td>My workplace has interaction and influences among all people and groups.</td>
</tr>
<tr>
<td>16</td>
<td>My workplace is business performance and competition oriented</td>
</tr>
<tr>
<td>17</td>
<td>My workplace emphasizes personal experience</td>
</tr>
<tr>
<td>18</td>
<td>My workplace influences me positively; for instance,, the leaders act as models.</td>
</tr>
<tr>
<td>19</td>
<td>My workplace is mediocre and dull.</td>
</tr>
</tbody>
</table>

*Cont’d*
### Appendix A (Cont’d)

**WORKPLACE SPIRITUALITY SCALE SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>At work, I think carefully, thus things are more likely to succeed.</td>
</tr>
<tr>
<td>21</td>
<td>At work, I enjoy facing others and things.</td>
</tr>
<tr>
<td>22</td>
<td>At work, I accept myself.</td>
</tr>
<tr>
<td>23</td>
<td>At work, I feel that I am identified by others.</td>
</tr>
<tr>
<td>24</td>
<td>At work, I recognize my growth and I am inspired.</td>
</tr>
<tr>
<td>25</td>
<td>At work, I feel happy and satisfied.</td>
</tr>
<tr>
<td>26</td>
<td>At work, I am willing to undertake responsibilities and be diligent and persistent.</td>
</tr>
<tr>
<td>27</td>
<td>At work, I feel peaceful and have a sense of belonging; my emotions are stable and I can resist pressures.</td>
</tr>
</tbody>
</table>
### Appendix B

**EARNINGS MANAGEMENT MOTIVATIONS SCALE SUMMARY**

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>to avoid a loss of confidence by banks in the company</td>
</tr>
<tr>
<td>(2)</td>
<td>when the company is faced with a credit crisis</td>
</tr>
<tr>
<td>(3)</td>
<td>to prevent a drop in company share prices</td>
</tr>
<tr>
<td>(4)</td>
<td>when there are large losses resultant from non-operating investments</td>
</tr>
<tr>
<td>(5)</td>
<td>to reach the threshold of public listings</td>
</tr>
<tr>
<td>(6)</td>
<td>to reduce taxation burdens</td>
</tr>
<tr>
<td>(7)</td>
<td>to avoid a loss of confidence by employees in the future of the companies</td>
</tr>
<tr>
<td>(8)</td>
<td>to proceed with the development of important projects</td>
</tr>
<tr>
<td>(9)</td>
<td>opinions or requests from colleagues</td>
</tr>
<tr>
<td>(10)</td>
<td>opinions or requests from the Board of directors</td>
</tr>
<tr>
<td>(11)</td>
<td>opinions or requests from accountants</td>
</tr>
<tr>
<td>(12)</td>
<td>opinions or requests from shareholders</td>
</tr>
<tr>
<td>(13)</td>
<td>opinions or requests from senior managers</td>
</tr>
<tr>
<td>(14)</td>
<td>opinions or requests from creditors</td>
</tr>
<tr>
<td>(15)</td>
<td>to enhance net profits in order to increase personal bonuses and remunerations</td>
</tr>
<tr>
<td>(16)</td>
<td>no legal responsibility in association with earnings adjustments</td>
</tr>
<tr>
<td>(17)</td>
<td>to please supervisors and gain promotional opportunities</td>
</tr>
<tr>
<td>(18)</td>
<td>profits as the most important goal</td>
</tr>
<tr>
<td>(19)</td>
<td>earnings adjustments as part of job descriptions</td>
</tr>
<tr>
<td>(20)</td>
<td>to meet the annual profit targets</td>
</tr>
<tr>
<td>(21)</td>
<td>to avoid a loss of confidence by banks in the company</td>
</tr>
</tbody>
</table>

*Cont’d*
### Appendix B (Cont’d)

**EARNINGS MANAGEMENT MOTIVATIONS SCALE SUMMARY**

<table>
<thead>
<tr>
<th>Number</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
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<td>22</td>
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<tr>
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<td>to please supervisors and gain promotional opportunities</td>
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<td>38</td>
<td>profits as the most important goal earnings adjustments as part of job descriptions</td>
</tr>
<tr>
<td>39</td>
<td>to meet the annual profit targets</td>
</tr>
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</table>
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Workplace Spirituality and Earnings Management Motivations


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