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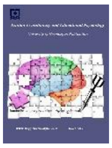

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The Moderating Role of Personality Characteristics on the Relationship between Financial Motivation and Profit Management

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Abstract: Personality traits play an important role in financial motivation and profit management as they can influence an individual's attitudes and behaviors with regards to money. In this study, profit management decisions are examined with three behavioral approaches, and the role of financial motivation in profit management decisions with an emphasis on the personality characteristics of financial managers is investigated in a sample of 65 financial managers of listed companies in Stock Exchange. This study is applied descriptive-correlation research. Financial motivation is considered as an independent variable, profit management decisions as a dependent variable, and personal characteristics (emotional intelligence, narcissism, and non-adherence to ethics) as a moderating variable. A purposive sampling method was used for sample selection and multiple regression was used to test the hypothesis. The results indicated a significant positive relationship between financial motivation and profit management decisions. However, there is no significant relationship between financial motivation and profit management decisions with two approaches of adherence and non-adherence to accounting standards. Moreover, the moderating variables of personal characteristics have no significant effect on profit management decisions. Therefore, in Iran, since financial managers are selected by the company's CEOs, CEOs have a significant impact on their performance in order to achieve their goals. Hence, maintaining job security and organizational position and promoting organizational interests may cause personality characteristics of financial managers and accounting standards to have no effect on profit management decisions.

Keywords: Personality traits, Financial motivation, Profit management, Financial managers

Introduction

While profit management has long been debated in accounting literature, its behavioral aspect has been largely overlooked despite the fact that it involves psychological factors (Mitić & Čolović, 2022). The behavior and consequences of profit management have caused concern among accounting professionals, particularly in light of recent financial scandals globally and in Iran, prompting further investigation. Despite legal measures to combat profit management, it remains an issue. Most studies on profit management focus on its effects on the capital market and methods based on the accounting agency theory, which assumes personal gain (Trisnawati et al., 2015). Additionally, while executive motivation has been studied, financial managers have received less attention, despite their crucial role in financial reporting. Real profit management is thought to have a negative impact on future company performance and conflict with CEO responsibility to stakeholders, while accrual-based profit management can reduce

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financial reporting quality and conflict with the supervisory role of financial managers. Evidence suggests that financial managers prefer real profit management over accrual-based methods to achieve profit goals (Anagnostopoulou & Tsekrekos, 2017). Any interference that undermines the accuracy of financial reports can affect decision-making processes of users. Given that profit management remains a problem, it is important to examine it from various angles, including behavioral and psychological factors that influence accounting methods. Accepted accounting principles allow for judgment and choice in reporting methods, creating opportunities for deliberate selection in line with personal interests. Financial motivation can impact performance, but little research exists on how emotional intelligence, narcissism, and ethics adherence mediate financial motivation in the behavior of financial managers. The goal of this study is to address gaps in previous research and gain a better understanding of the factors affecting profit management.

The primary objectives of the current study are fourfold: firstly, to explore the impact of financial motivation on profit management decisions under the two approaches of adhering to and deviating from accounting standards in a designed scenario; secondly, to investigate the role of financial motivation in profit management decisions by considering the factor of emotional intelligence; thirdly, to examine the role of financial motivation in profit management decisions by taking into account the narcissism factor; and fourthly, to scrutinize the role of financial motivation in profit management decisions by considering the lack of adherence to ethics factor, using the standard questionnaire method.

In essence, the findings of the study suggest that executive managers are more capable of influencing the profit management process through accrual-based profit management, while financial managers have greater influence through real profit management. The key inquiry is to what extent the financial motivation of financial managers of companies listed on the Tehran Stock Exchange impacts profit management decisions, and whether there is a significant correlation between their personality traits and profit management decisions.

Theoretical Foundations

In the accounting literature, two perspectives on the motives for profit management are discussed: opportunistic profit management and efficient profit management (Lin, 2011). When managers use their discretion to increase personal benefits and disclose confidential information about the profitability of the company with greater willingness, it is considered opportunistic profit management. In other words, opportunistic profit management is a change in financial reports by managers to mislead users about the company's economic performance in order to maximize personal benefits (Ghazali et al., 2015). Efficient profit management involves improving the content of profit information in the disclosure of confidential information (Barney & Mackey, 2018). When management uses its discretion to improve the profitability of the company, it is considered efficient profit management. Researchers have divided profit management measurement methods into three broad categories: profit management based on scenarios, actual profit management (for example, under the influence of cash flows), and management of liabilities due to changes in estimates and accounting policies. They also noted that the expenses of profit management for these methods are different. Differences between liability profit management and actual profit management include 1) unlike liability profit management, actual profit management is accompanied by changes in operational activities and affects future cash flows. 2) Managers have more freedom to manage actual profit, while liability profit management or accounting has a higher likelihood of discovery in audit and judicial investigations and 3) For managers, the personal risk and cost of liability profit management are higher, while actual profit management usually involves higher costs for the business unit (Yang et al., 2022). For example, excess production incurs higher storage and warehousing costs for the company. 4) Often, actual profit management occurs during the financial year, while liability profit management usually occurs at the end of the financial year (Izadinia, Dorri Sedeh, et al., 2015).

Profit Management: Defining profit management accurately in the accounting literature is very difficult because the boundary between profit management (financial smoothing) and financial fraud cannot be clearly determined. Profit management is defined as targeted intervention in the financial reporting process in order to achieve some personal benefits. This definition focuses on the opportunistic aspect of management. In another definition, profit management is defined as the use of personal judgments in financial reporting and manipulation in transaction structures to change financial reports in order to mislead company owners about its economic performance or to influence the results of contracts that depend on specific accounting figures (Gill et al., 2010). Numerous studies have been conducted on corporate governance, CEOs, CFOs, their power, and profit management, and each study attempts to examine these issues from a different perspective. Shane (2008) defines profit management as the selection of accounting policies to achieve specific goals, including receiving greater rewards, reducing debt ratios, reducing taxes, and reducing political costs. Healy and Wahlen (1999) state that profit management occurs when managers use their personal judgments in financial reporting and manipulate transaction structures to change financial reporting. This is done to mislead profit owners about the company's economic performance or to influence the results of contracts that depend on specific accounting figures.

According to Jones and Sharma (2001), profit management is a deliberate action with the goal of showing a company's profits at a desirable and expected level. They believe that profit management occurs when managers change financial reporting and transaction structures to mislead some stakeholders about the company's economic performance or to influence the results of contractual agreements that depend on accounting figures. Profit management may be carried out within accepted accounting principles, but ethical issues still exist because many users rely on financial statements as a source for their economic decision-making, and profit management can mislead and harm them.

Real earnings management is an operational deviation from normal business operations that aims to achieve a particular threshold of accounting numbers (Roychowdhury, 2006). Although such deviations help managers achieve financial reporting goals, they do not increase the company's value and will have real economic costs for the company. This type of profit management involves the inflow and outflow of cash and is preferred by financial managers.

In business units, the financial manager may provide reports related to their duties to the CEO. Therefore, the financial manager is responsible to the CEO. Research has been conducted on the motivations of financial managers to manage profits in two cases. First, financial motivations such as bonuses can lead to profit management by CEOs. Second, financial managers may be under pressure from the CEO, who has significant power in matters related to the company, to take actions that align with the CEO's goals. The CEO may directly threaten the financial manager that they will lose their job if they do not achieve the desired goals, or they may create conditions that force the financial manager to act in line with the CEO's objectives.

Lin et al. (2020) attempted to answer the question of what motivates financial managers to engage in profit management behavior. They compared companies that had relatively minor violations according to the Securities and Exchange Commission with those that had significant violations. The researchers found that the payments made to financial managers in companies with significant violations for their performance did not differ significantly from those made to managers in companies with minor violations. However, the two groups of companies had significant differences in the payments made to their executives.

Jiang et al. (2010) also focused on the motivations of financial managers for profit management. Their research results, unlike Lin et al. (2020), indicated that the motivation of financial managers for profit management was to receive rewards in the form of shares. According to their findings, the degree of profit management is more sensitive to the reward motivations of financial managers than to those of executives. Financial managers are responsible for preparing financial reports, and they have a significant responsibility for the accuracy and integrity of the information obtained from the accounting system. However, if their wealth depends on these reports, there is a high likelihood that they will act in their own personal interest. The Securities and Exchange Commission states that the amount of financial manager rewards is important for shareholders because, in addition to the executive, the financial manager provides periodic reports for the company and is responsible for providing fair financial statements and information.

Personality traits: Personality traits refer to a set of characteristics that shape an individual's personality (Borghans et al., 2008). Personality refers to the physical, intellectual, emotional, and volitional characteristics of an individual and their interaction with these factors, which are manifested through appearance, behavior, habits, and relationships with others (Kernberg, 2016). Many factors influence the judgment of individuals, including personality traits. Ryckman (2012) defines personality traits as a dynamic and organized set of personal characteristics that uniquely affect a person's recognition, motivations, and behaviors in various situations. Hoftede et al. (2010) believe that individuals' mental planning is influenced by three factors: personality traits, culture, and human nature. Judgment and decision-making are also mental functions influenced by these three factors. Therefore, personality traits have a significant impact on individuals' judgment and decision-making. They also demonstrate the importance of personality traits in mental planning, including judgment and decision-making, by presenting a pyramid with personality traits at the top (Figure 1).

Figure 1. Three levels of Hoftede's unique characteristics in mental planning of individuals

Personality traits that are specific to the individual (inherited or learned), culture that is specific to a group or class (learned), and human nature that is general (inherited). Examining personality traits provides a clear view of the differences between individuals who even have similar cultures, and by studying them, a logical explanation can be provided for the differences that exist in the decision-making and judgment process of individuals (Amiri & Taghinejad, 2022).

The authors of this study focused on the impact of moderating variables on the profit management behavior of financial managers for two reasons. First, research on behavioral accounting issues is in its early stages and requires a lot of research. Many researchers, including Nga and Ken Yien (2013), Hamza and Arif (2019), Heidhues and Patel (2012) and So and Smith (2003), have called for more attention to personality traits and the role of individual variables in the judgment of accountants in their accounting research. It should be noted that in addition to material motivations, psychological motivations and personality traits of individuals can also be an effective factor in profit management behavior, a subject that has not received much attention in research. The second point is that many profit management research studies focus on the motivations and reasons of executive officers because they are responsible for making decisions on many important organizational issues. However, given the

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influential role of financial managers in providing accurate reporting, it is necessary to consider their behavior in profit management. Although there have been very few studies on the role of financial managers in profit management, the high number of violations committed by financial managers in recent years has drawn the attention of researchers and legal authorities, leading to studies by researchers such as Jiang et al. (2010) and Ham et al. (2017) on their role in profit management.

Research by Papadakis and Barwise (2002), (Peterson & Smith), and Carpenter et al. (2004) has shown that the personality traits of individuals have a significant importance in their judgment and decision-making. One personality trait that can have an impact on the judgment and decision-making process of individuals is emotional intelligence.

In recent decades, a branch of psychology based on the concepts of judgment, decision-making, and choice has expanded. This concept and research branch are known as emotional intelligence. Emotional intelligence refers to having awareness and capacity regarding one's own and others' emotions and using these emotions appropriately for communication (Etminan et al., 2020; Nelis et al., 2009). Emotional intelligence is a factor that can be considered the most effective in judgment, decision-making, and choice. For many years, people believed that emotions distract attention, and as a result, individuals cannot focus logically on information and cannot use their rational intelligence. From the early 1980s, a different concept of emotion emerged. With the idea that emotions not only do not interfere with intelligent thinking and behavior but also help humans in many matters, including decision-making and judgment. Salovey and Sluyter (1997) defined emotional intelligence as the ability to perceive and express emotions, use emotions in thinking, understand and extract reasons with emotions, and regulate emotions in oneself and others. Emotions play an important role in organizational management. It can also increase people's ability to identify, manage, and use emotions (Mayer et al., 2001). Emotional intelligence is a skill that can improve people's performance in leadership, teamwork, customer relations, and decision-making (Mackay et al., 2012). Emotional intelligence as a personality trait can have a dual role in organizations. Individuals with higher emotional intelligence can create opportunities for organizational advancement by using this skill, but they may also use this ability for their own benefit (Goleman, 2001).

Mackay et al. (2012) believe that high emotional intelligence is essential for financial managers because they work with different people daily due to their job nature. Therefore, having this skill can help them control their own and others' stress and emotions. A financial manager with high emotional intelligence can prevent pressure from executive officers to manage profits and resist pressure without getting involved with them by establishing appropriate relationships with the CEO and influencing their emotions. In situations where the financial manager receives a reward for managing profits, a financial

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manager with higher emotional intelligence who is aware that managing profits ultimately harms the organization and jeopardizes its existence can control their desire for a reward due to their ability to control their emotions (Rana et al., 2017).

Job pressures play a very important role in the accounting profession. Numerous studies have shown that even simple decisions are influenced by the emotional content of stimuli. Human decisions cannot be explained solely by logical necessities but are heavily influenced by emotions (Simon, 1987; Slovic et al., 2004).

Another personality trait that can affect the judgment and decision-making process of individuals and therefore provide motivation for financial managers to engage in profit management behavior is narcissism. Narcissism is taken from a Greek myth, according to which a young man named Narcissus was so enamored with his own reflection in a lake that he could not leave that spot and eventually died by the lake. Narcissism as a relatively stable personality trait includes grandiosity, self-love, pride, and self-promotion (Campbell et al., 2004).

In clinical psychology, narcissism is considered a personality disorder, and in personality psychology, it is discussed as a particular personality trait. However, the definitions offered by both branches of psychology about narcissism are the same. According to the definition of the American Psychiatric Association, narcissistic individuals are not empathetic towards others but require regular praise and have an exaggerated image of themselves. Narcissism reflects an excessive love for oneself and is an inflexible and stable characteristic that includes exaggeration, grandiosity, and a desire for admiration (American Psychiatric Association, 2000). Narcissistic individuals usually have low self-esteem and lack self-confidence and try to demonstrate that they are more important than others (Campbell et al., 2011). According to Emmons (1987), the characteristics of a narcissistic person are a desire for power, a desire for superiority, a need to be respected, and a sense of entitlement. It seems that these characteristics can influence the decision-making and judgment processes of narcissistic individuals and cause them to make decisions based on the emotions they want to experience. If narcissistic individuals predict that the outcome of their decision-making and actions can lead to a feeling of power and superiority for them, they may decide to carry out that action without considering the consequences and outcomes for others.

Given its characteristics of self-centeredness, it seems that it can have an influence on the decision-making and judgment process, which can be effective in people's inclination towards financial manipulation and profit management. Due to the strong interest of self-centered individuals in having positions, power, and being praised, the personal interest of those who pursue profit management

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behaviors may be to experience a sense of power and superiority, which can overpower them to engage in unethical behaviors such as false financial reporting.

The results of Campbell et al. (2004) showed that self-centered managers are selfish individuals who use leadership tactics to change the situation for their own personal interests. These tactics can create short-term benefits for the individual and the organization, but in the long run, it will harm the organization. Other research results, such as Madsen and Vance (2009), and Cohen and Zarowin (2010), also showed that one of the factors of financial scandals in companies is the narcissism of their managers. In an interview conducted with the financial manager of Enron just before the company's misconduct was revealed, it was revealed that he was a narcissistic person who was willing to do anything for his personal interests, even if it meant sacrificing the welfare of others (Ham et al., 2017).

Campbell and Miller (2011) suggest that narcissistic individuals consider themselves superior to others and expect others to praise and admire them and fulfill their wishes. However, they do not care about the needs of others and cannot tolerate criticism. Narcissistic individuals have an unrealistic and false perception of their importance, a trait known as grandiosity, and they also have low self-esteem and seek the approval of others. These individuals have an unrealistic view of their success, power, and intelligence and consider themselves entitled.

Some researchers, such as Emmons (1987), believe that everyone has some degree of narcissism or personality traits related to it. Therefore, narcissism ranges from individuals who are psychologically healthy to those who are extremely self-centered. Individuals who have a narcissism style may be psychologically healthier than those with personality disorders, but they may be arrogant, conceited, and self-absorbed. Emmons (1987) proposes that narcissism has four components: power-seeking, superiority-seeking, self-admiration, and entitlement.

Given the characteristics of narcissism, it appears that if employees in an organization suffer from it, it will create problems for the organization. The results of Carmeli and Sheaffer (2009) show that narcissistic managers have a short-term and narcissistic view of management and choose strategies that are not in the organization's best interests. Lubit (2002) suggests that the narcissistic nature of managers can harm the organization's reputation and have financial consequences for the organization.

Many research results indicate that it is likely that narcissistic individuals engage in unethical behavior. Duchon and Drake (2009) suggest that, like humans, organizations have an identity, and narcissistic in the organization can lead to the organization acting unethically. It should be noted that due to the nature of narcissistic behavior, the occurrence of unethical behavior by narcissistic individuals does not necessarily mean that they always intentionally intend to act unethically, but due to their sense of entitlement and the need for power, they may not even realize that their actions are unethical.

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Narcissism can be related to profit management in that narcissistic individuals may engage in profit management to satisfy their sense of pride. They are seeking power and superiority and want to be praised by others. narcissistic individuals have a sense of superiority over others and believe that laws do not apply to them because they have a lot of information. They have a strong tendency to violate laws and, therefore, are likely to reject control systems and design their own systems to achieve their goals. Amernic and Craig (2010) believe that managers with high narcissism use accounting methods that are ambiguous because they want to present the company's financial situation in the best possible way to be praised and appreciated by others. Therefore, this part of the research seeks to answer the question of whether there is a significant relationship between the moderating variable of narcissism and the financial management decisions to manage profits made by managers.

Moral Disengagement: Disengagement of Moral is a personality trait that allows individuals to behave unethically without feeling uneasy or upset (Moore, 2015). The financial crises and the increasing non-adherence to ethics and the identification of financial managers as culprits have highlighted the ethical gap in the profession. However, in societies like Iran, which have rich ethical values but have a considerable gap with advanced countries, this issue can create significant problems for organizations. The disregard of Iranian organizations for ethical principles and the failure to observe ethical principles in dealing with stakeholders can question the legitimacy of the organization and its actions, thereby affecting the organization's profitability and success (Moghimi, 2008). It should be noted that financial managers are constantly faced with ethical dilemmas or choices. Ethical responsibility suggests that leaders should demonstrate ethical character and apply ethical principles in their decision-making (Sarhadi & Hasanzadeh, 2022). Sarhadi and Hasanzadeh (2022) consider profit-oriented and cognitive existentialism as ways of understanding ethical hierarchy. They conclude that ethical responsibility is the only defensive and idealistic approach to solving ethical dilemmas concerning global laws (not a profit-oriented approach).

Their decision-making and behavior can have different consequences for stakeholders and users of financial statements. Financial managers should be aware that lying can lead to a greater sense of guilt and affect their ethical behavior (Shaw, 2003). Justification and excuse-making are the two main factors examined in the context of creating false financial reports or not creating and hiding accounts. Rationalizing the action taken as an ethical act or presenting a superior goal focuses on the final outcome. In contrast, excuse-making focuses on the individual actor and involves transferring responsibility (Shaw, 2003).

The theory of non-adherence to ethics by Bandura (1999) suggests that individuals use psychological methods to rationalize unethical actions in a way that appears socially acceptable or ethical. This can lead financial managers towards non-adherence to ethics. Shaw et al. (2020) argued that when individuals experience non-adherence to ethics, their ethical standards decline, and in a non-ethical state of mind, individuals consider a wide range of behaviors permissible. It is also shown that a sense of guilt plays a significant role in regulating ethical behavior. Guilt arises when there is a conflict between individual behavior and internal principles and standards (Eisenberg et al., 2000).

Some financial managers consider profit management to be a legitimate and correct practice, while others consider it to be unethical (Parfait, 2016). However, there is an agreement that managers face significant pressure due to conflicting interests and agency theory in profit management, which can lead some of them to engage in unethical behavior. Non-ethical decision-making deprives accountants of confidence. Despite efforts by the US government to improve ethical decision-making, financial misconduct and malpractice continue. A national survey in the United States showed that at least one case of unethical behavior was observed in 52% of the 3452 employees surveyed at the local, state, and federal levels (Jones & Sharma, 2001).

The most important part of this study is that ethical conditions and the level of financial managers' non-adherence to ethics can have a wide range of effects on decision-making processes. Ethical environments and adherence to ethics lead financial managers to better decision-making. The results of this study can add scientific value in several ways. First, the results can expand the theoretical foundations of past research in accounting behavioral research and provide a better understanding of the personality traits of financial managers in developing countries such as Iran. Second, the results emphasize the importance of personality traits in accounting research and demonstrate that these traits should be considered as professional and behavioral ethical risk factors.

Previous Studies

Gayle (2013) investigated the relationship between emotional intelligence and ethics in employed individuals in the accounting profession. Using a questionnaire on emotional intelligence and a sample of 208 individuals, Gayle concluded that there is a significant and direct relationship between emotional intelligence dimensions and adherence to ethical principles in accounting professionals.

Azouzi and Jarboui (2012) conducted research on the relationship between emotional intelligence of managers in 60 Tunisian companies and their efficiency. The researchers used financial statements to measure the efficiency of companies and the Schutte Emotional Intelligence Questionnaire to measure the emotional intelligence of managers. The results showed a positive relationship between emotional intelligence and the efficiency of managers.

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The results of Shahed Hossein et al. (2019) study showed that the relationship between emotional intelligence and (actual and accrual) profit management is significant, considering the factor of self-centeredness, but this relationship is not significant for scenario-based profit management. Based on the results, emotional intelligence is considered an influential factor in profit management, provided that self-centeredness is not a characteristic of the manager.

Ham et al. (2017) studied the relationship between self-centeredness of financial managers and actual and accrual profit management. The researchers selected a sample of 512 financial managers and measured their self-centeredness using a 40-item self-centered personality questionnaire, which was related to the size of their signatures. The results of the study showed a positive relationship between the self-centeredness of financial managers and profit management.

Buchholz et al. (2014) examined the relationship between self-centeredness of CEOs in Standard and Poor's 500 companies and profit management. They used 15 criteria provided by Regusenbilit to measure the level of self-centeredness. Their findings suggest that CEOs with high self-centeredness use accounting methods to present a favorable picture of the company's financial situation and in this regard, they not only maximize profit but also reduce it. In addition, managing items of commitment is used more than managing actual profit.

Hales et al. (2012) conducted a laboratory study to investigate whether the narcissism of managers affects the way the company's financial performance is reported. According to their findings, when reporting favorable company performance is very important, narcissism can cause individuals to report higher performance than actual, especially when the individual is looking to be the first and top performer compared to others, meaning they are selfish.

Foster and Trimm IV (2008) conducted research on the relationship between risk and narcissism. They found that self-centered individuals have a strong motivation to achieve desirable outcomes but have little inclination to prevent negative consequences. Thus, when individuals have high narcissism tendencies, the sense of achievement in achieving desirable results motivates them to take risky actions.

Beaudoin et al. (2015) examined the role of the moderating variable of ethical disengagement in the tendency to manage profit commitments by selecting 83 financial managers and using a questionnaire method. The results of their research show that in manipulating commitment items, individuals who prioritize their own benefits, which are rewarded, over the organization's benefits, and the variable of ethical engagement as a modifier affects their preferences for maintaining personal or organizational interests. Individuals with lower ethical engagement think more about their own interests.

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Arjmandniya et al. (2019) investigated the effect of creating social accounts on the unethical behavior of financial managers with the mediating role of ethical disengagement and guilt. Their findings showed that social accounts rejected by stakeholders due to inconsistency with reality strengthen ethical disengagement and weaken the guilt of financial managers, and instead increase their unethical behavior. Also, with regard to the types of social accounts, the results ultimately indicate that the justification of social accounts by accountants compared to the excuse-making leads to more ethical disengagement.

Research hypotheses:

Based on the theoretical foundations of the research and previous studies, the hypotheses of this research are as follows:

Hypothesis 1: Financial motivation, independently, leads to an increase in earnings management.

Hypothesis 2: The relationship between financial motivation and earnings management decisions will be stronger in compliance with strong accounting standards than in non-compliance with accounting standards.

Hypothesis 3: The emotional intelligence of the financial manager moderates the relationship between financial motivation and earnings management decisions.

Hypothesis 4: The narcissism of the financial manager moderates the relationship between financial motivation and earnings management decisions.

Hypothesis 5: The lack of ethical adherence of the financial manager moderates the relationship between financial motivation and earnings management decisions.

Material and Methods

This research is a type of applied research in terms of its objective because it deals with practical situations, and it is descriptive-survey research and qualitative research. The theoretical framework and research background are compared and the data is collected and the final result is tested for hypothesis acceptance or rejection through induction and questionnaire. Since this research was conducted in a real environment, that is, among professional individuals, it is also considered as field research.

Instruments

Earnings management questionnaire: In this research, a questionnaire was used to collect the necessary information and measure the research variables. The independent variable of financial motivation with two approaches of compliance and non-compliance with accounting standards and the dependent variable of earnings management were collected through a scenario questionnaire designed for this purpose. In addition, three personality traits of financial managers including emotional intelligence, narcissism, and lack of adherence to ethics were defined as moderating variables, and

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education level, age, gender, and experience were defined as control variables of the research. To measure earnings management, which has a Cronbach's alpha coefficient of over 0.98, the Clikeman and Henning (2000) questionnaire was used, which includes scenarios designed to measure the dependent variables (earnings management).

To ensure the validity of the questionnaire, it was first distributed among 15 experts and specialists, and after ensuring the results obtained, the questionnaire was distributed among the sample population. This questionnaire led to four scenarios. In these scenarios, financial motivation and compliance with accounting standards were manipulated. One scenario was randomly presented to participants and they were asked four questions about their opinion on the proposal presented in the scenario. Then, another scenario was presented to participants and the same questions were asked, but the only difference was whether the proposal was in compliance with accounting standards or not. All other manipulations remained constant. After carefully reading each scenario, financial managers were asked to answer each question, and a five-point Likert scale was used to score each answer. To exert high pressure on financial motivation, the scenarios showed that participants would receive a 15% reward for achieving financial goals. To obtain a benchmark for pressure, other scenarios were also considered in which there was no discussion of financial motivations. Since this method has two levels, in this study, only one level representing high financial motivation was used. The high motivation scenario was coded with the number 1, and the scenario without motivation was coded with the number 0.

Emotional intelligence scale: To measure emotional intelligence, which has a Cronbach's alpha coefficient of over 0.92, the Groves et al. (2008) scale was used to evaluate the emotional intelligence of financial managers. This tool consists of phrases that describe feelings, thinking patterns, and behavior in various situations. The four dimensions of emotional intelligence include: perception and evaluation of emotions, facilitation of thinking with emotions, understanding emotions, and regulation and management of emotions, each dimension measured by six items. Financial managers rated their level of agreement or disagreement with each phrase on a 5-point Likert scale. This variable was used to moderate the relationship between financial motivation and profit management decisions. Therefore, converting this variable to a binary or categorical variable provides easier interpretation of the results. Thus, individuals who score higher than the median of their self-evaluation are coded with the number 1, indicating a high level of emotional intelligence, and those who score below the median are coded with the number 0, indicating a low level of emotional intelligence.

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Narcissism scale (NPI-16): To measure narcissism, which has a Cronbach's alpha coefficient of over 0.99, the Ames et al. (2006) scale was used. This questionnaire consists of 16 pairs of statements and aims to measure the narcissistic personality traits of financial managers. The response spectrum is such that it consists of pairs of statements from which the respondent must choose one. To obtain the overall score of the questionnaire, the scores of all questions are added together. The score ranges from 0 to 16, with a higher score indicating higher narcissism and vice versa. As a cutoff point, a score of 5 or higher indicates a narcissistic personality in an individual. This questionnaire is standardized and its validation for use in the Iranian community has been examined by Mohammadzadeh (2009), whose research showed that this questionnaire is a suitable tool for related research in the Iranian community.

Moral disengagement scale: To measure the variable of یoral disengagement, which has a Cronbach's alpha coefficient of over .099, Moore (2015) questionnaire was used. This questionnaire presents one question for each of the mechanisms discussed by Bandura (1986) that facilitate ethical noncompliance. Eight mechanisms were observed in financial managers, and an item was designed for each mechanism to measure them. Each item is measured on a five-point scale, ranging from strongly disagree to strongly agree. The average score of the eight items indicates the financial manager's tendency towards ethical noncompliance. This variable is used to moderate the relationship between financial motivation and profit management decisions. Therefore, converting this variable to a binary or categorical variable provides easier interpretation of the results. Thus, individuals who score higher than the median of their self-evaluation are coded with the number 1, indicating a high level of ethical noncompliance, and those who score below the median are coded with the number 0, indicating a low level of ethical noncompliance. Multiple regression analysis was used to test the hypothesis.

The independent variable of the research is financial motivation, and the moderating variables of the research are emotional intelligence, narcissism, and the dependent variable is earning management decisions.

The findings of some researchers have shown that gender, education, experience, and age significantly affect profit management. Therefore, in this study, gender, education, experience, and age are considered as control variables. The measurement method of control variables is as follows:

Gender: It is an artificial (virtual) variable that is indicated by the values of one and zero. (Male gender is indicated by the value of one, and female gender is indicated by the value of zero.)

Education: It is an ordinal variable that is indicated by values from 1 to 5. For a diploma, the number 1 is considered, for a post-diploma degree, the number 2 is considered, for a bachelor's degree, the number 3 is considered, for a master's degree, the number 4 is considered, and for a doctorate degree, the number 5 is considered.

Experience: The amount of experience of individuals is considered with intervals of 5 years from 0 to 30 years.

Age: It is a relative variable and is expressed as age according to the birth certificate in years.

Research Population and Sample

The statistical population of this research includes all active companies in the Tehran Stock Exchange and Securities Market whose audited financial statements and accompanying notes for the period from 2019 to 2020 were prepared and examined by financial managers who were the respondents in this study. The reason for choosing the stock market as the statistical population is the greater attention of investors and financial analysts to the stock market and the availability of their accounting information, which makes it possible to conduct research. It should be noted that the time scope of this research for the studied population includes the financial managers of accepted companies in 2019. The statistical sample is a limited number of members of the statistical population who represent the main characteristics of the population. Since this research is time-consuming for all members of the statistical population and is not cost-effective, the researcher is forced to take a sample. Given that the research population is limited to all financial managers of accepted companies in the Tehran Stock Exchange in 2019, the best sampling method is purposive sampling from the available samples. In this study, 96 questionnaires were distributed electronically in a purposive manner among financial managers, and 65 valid questionnaires were received, which had completely answered the questions. Table 1shows the composition of this sample.

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Table 1. Demographic statistics

Variable		Frequency	Percentage	Total	
				Frequency	Percentage
Gender	Female	47	72.30	65	100
	Male	18	27.70		
Age	Less than 30 years	2	3.07	65	100
	31-40 years	12	18.46		
	41-50 years	23	35.39		
	51-60 years	25	38.47		
	Above the 60 years	3	4.61		
Experience	Less than 5 years	5	7.69	65	100
	6-10 years	6	9.23		
	11-15 years	10	15.38		
	16-20 years	11	16.92		
	21-25 years	16	24.62		
	Above the 26 years	17	26.16		
Education	Diploma	0	0	65	100
	AD	0	0		
	Bachelor	6	9.23		
	Master	45	69.23		
	Ph.D.	14	21.54		

Results

Table 2 shows the descriptive statistics of the research variables (financial motivation, emotional intelligence, self-efficacy, ethical noncompliance, and profit management decisions). These statistics include mean, standard deviation, skewness, kurtosis, Cronbach's alpha reliability, composite reliability, and convergent validity. A Cronbach's alpha coefficient above 0.7 indicates acceptable reliability. Since the Cronbach's alpha criterion is a traditional criterion for assessing the reliability of structures, the PLS method uses a more modern criterion called composite reliability. The superiority of this criterion over Cronbach's alpha is that the reliability of structures is calculated not absolutely but based on their correlation with each other. Therefore, both of these criteria are used in the PLS method for better measuring reliability. If the CR value for each structure is above 0.7, it indicates suitable internal stability for measurement models. According to table 2, all research variables have very favorable stability in composite reliability.

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Table 2. Descriptive indices, composite reliability, Cronbach's alpha, and AVE

Variables		Mean	SD	Skewness	kurtosis	Cronbach Alpha	Composite reliability	AVE
Compliance with accounting standards	Profit management decisions-Financial motivation	3.04	0.93	-0.25	2.62	0.982	0.989	0.860
	Profit management decisions - unmotivated	2.99	0.93	-0.14	2.90			
Non Compliance with accounting standards	Profit management decisions-Financial motivation	3.08	0.92	0.04	2.60	0.989	0.991	0.930
	Profit management decisions - unmotivated	2.84	1	-0.05	2.58			
Moderators	Emotional Intelligence	3.93	0.45	-0.03	2.85	0.923	0.936	0.596
	Moral disengagement	3.17	0.60	-0.05	2.05	0.996	0.996	0.938
	Narcissistic personality	0.42	0.24	0.34	2.61	0.995	0.996	0.936

In this study, a questionnaire was developed based on the opinions of experts and accounting professors and was validated for content validity. To test the structural validity, the opinions of experts and some accounting professors were used and were approved.

(A) Convergent Validity: Convergent validity is a criterion used to fit the measurement model in the PLS method. The AVE criterion is an indicator of the shared variance between each structure and its own indicators. In simpler terms, AVE indicates the correlation of a structure with its own indicators, and the higher this correlation, the better the fit. Fornell and Larcker (1981) introduced the AVE criterion (extracted variance average) to measure convergent validity and stated that the critical value for AVE is 0.5, meaning that an AVE value above 0.5 indicates acceptable convergent validity. According to table 2, the output values of AVE are greater than 0.5, indicating an acceptable level of convergent validity.

(B) Discriminant Validity (Heterotrait-Monotrait Ratio (HTM) validity test): According to this test, if the estimated results are higher than 0.9, it indicates divergent invalidity between the two mentioned variables. According to table 3, the correlation of none of the research variables with each other is greater than 0.9.

Table 3. The correlation of the research variables

Variable	Moral disengagement	EI	NP	CWS
Emotional Intelligence (EI)	0.794			
Narcissistic personality (NP)	0.883	0.801		
Compliance with accounting standards (CWS)	0.861	0.699	0.745	
Noncompliance with accounting standards	0.876	0.847	0.745	0.759

The results of hypothesis 1 are presented in Table 4. According to Table 4, the research hypothesis is confirmed with a significance level of 0.009 at a confidence level of 99%. Therefore, it can be claimed that financial motivation will lead the tested individual to have a greater tendency towards profit management for achieving financial success. This result is supported by neoclassical economic theory, agency theory, and their derivatives. The significance level of control variables gender, age, and education is less than 5%, indicating the significance of the relationship between these control variables and profit management decisions. The positive sign of the coefficients of gender and age indicates that men will have a 28% higher tendency towards profit management decisions compared to women in the given situation. Additionally, the tendency towards profit management increases with age in such circumstances. However, the level of education has an inverse relationship with profit management decisions under pressure. The determination coefficient and the adjusted determination coefficient are 0.42 and 0.40, respectively. The adjusted determination coefficient indicates that 40% of the changes related to the tendency towards profit management are explained by the independent variable and control variables. The value of the Durbin-Watson statistic in this model is 1.87, which is between 1.5 to 2.5, indicating that the hypothesis testing model is in an appropriate state of autocorrelation of error terms. Finally, the F-statistic also shows a significance level of 0.000, indicating the overall significance of the model.

Table 4. The first research hypothesis test result

Variable	Value	Std. error	T value	p
Financial motivation	0.398	0.117	3.38	0.009
Gender	0.285	0.113	2.50	0.013
Age	0.085	0.032	2.52	0.012
Education	0.530	0.077	6.80	0.001
Experience	-0.052	0.048	-1.70	0.28
Constant	4.34	0.412	0.544	0.001
R^2	0.427	F value		18.52
Adjusted R^2	0.40	p		0.001

As can be seen, the payment of bonuses to the financial manager by the CEO during the preparation of financial statements to comply with accounting standards is much more transparent than when the

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financial manager prepares financial statements for profit management purposes in order to receive bonuses. Therefore, the goal of this stage is to examine and ensure the difference in the response of the tested groups and the ranking of their effects. Thus, given the non-parametric conditions, the paired t-test or Mann-Whitney test should be used. Therefore, first, the distribution of data was examined using the Kolmogorov-Smirnov test. The results of this test showed that the data distribution is not normal, so the Mann-Whitney U test was used (Table 5).

Table 5. Results of Mann-Whitney U test

Variable	N	Rank mean
Profit management decisions in terms of financial incentives (compliance with accounting standards)	65	65.74
Profit management decisions in terms of financial incentives (non-compliance with accounting standards)	65	59.56
Mann-Whitney U	1726.5	
Z statistic	0.973	
p	0.331	

The results of the Mann-Whitney U test show that the variable of profit management decisions under financial motivation in accordance with accounting standards has a higher average rank of 65.74 compared to profit management decisions under financial motivation accompanied by violation of accounting standards with an average rank of 59.56. This indicates that the tendency towards profit management under financial pressure in accordance with accounting standards is higher than when accompanied by accounting standards violation. However, due to the significance level of this test which is greater than 5%, the result of this test is not reliable and therefore hypothesis 2 is rejected.

Hypothesis 3 of the study refers to the moderating effect of emotional intelligence on profit management decisions. According to Table 6, due to the non-significance of the coefficient of the financial pressure variable and the emotional intelligence* financial motivation variable, hypothesis 3 is rejected.

Table 6. Results of Hypothesis 3 Test.

Variable	Value	Std. error	T value	p
Financial motivation	0.208	0.140	0.49	0.130
Emotional intelligence	0.403	0.158	2.54	0.012
Financial motivation * Emotional intelligence	0.334	0.204	1.63	0.105
Gender	0.260	0.101	2.56	0.011
Age	0.065	0.028	2.25	0.025
Education	-0.392	0.072	-5.38	0.001
Education	-0.046	0.043	-1.072	0.285
Experience	3.678	3.390	9.39	0.001
Constant	0.557	F value		21.95
R^2	0.532	p		0.001

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The determination coefficient and the adjusted determination coefficient are 0.55 and 0.53, respectively. The adjusted determination coefficient indicates that approximately 53% of the changes related to profit management decisions are explained by the independent variable and control variables. The value of the Durbin-Watson statistic in this model is 1.90, which is between 1.5 to 2.5, indicating that the hypothesis testing model is in an appropriate state of autocorrelation of error terms. Finally, the F-statistic also shows a significance level of 0.001, indicating the overall significance of the model.

Hypothesis 4 of the study refers to the moderating effect of financial manager narcissism on the relationship between financial motivation and profit management decisions. The moderating variable is also financial manager narcissism. According to Table 7, due to the non-significance of the coefficient of the narcissism*financial motivation variable, hypothesis 4 is rejected.

Table 7. Results of Hypothesis 4 Test.

Variable	Value	Std. error	T value	p
Financial pressure	1.018	0.214	4.75	0.001
Narcissism	0.381	0.135	2.81	0.005
Financial pressure * Narcissism	-0.250	0.242	-1.02	0.303
Gender	0.252	0.079	3.18	0.001
Age	0.064	0.022	2.72	0.007
Education	0.297	0.058	-5.08	0.001
Experience	0.016	0.034	0.48	0.627
Constant	۲/۹۴۰۸	۰/۳۱۲۲	۹/۴۱۹۵	۰/۰۰۰۰
R^2	0.522	F value		45.27
Adjusted R^2	0.506	p		0.001

This test shows that financial manager narcissism cannot have a significant impact on the effectiveness of financial motivation on profit management decisions. The determination coefficient and the adjusted determination coefficient are 0.52 and 0.50, respectively. The adjusted determination coefficient indicates that approximately 50% of the changes related to profit management decisions are explained by the independent variable and control variables. The value of the Durbin-Watson statistic in this model is 1.92, which is between 1.5 to 2.5, indicating that the hypothesis testing model is in an appropriate state of autocorrelation of error terms. Finally, the F-statistic also shows a significance level of 0.001, indicating the overall significance of the model.

Hypothesis 5 of the study refers to the moderating effect of financial manager ethical non-compliance on the relationship between financial pressure and profit management decisions (Table 8).

Table 8. Results of Hypothesis 5 Test

Variable	Value	Std. error	T value	p
Financial pressure	0.396	0.143	2.75	0.006
Moral disengagement	0.411	0.174	2.29	0.023
Financial pressure * Moral disengagement	0.032	0.222	0.145	0.884
Gender	0.240	0.109	0.192	0.032
Age	0.073	0.030	2.38	0.018
Education	-0.453	0.077	-5.86	0.001
Experience	-0.064	0.047	-1.37	0.171
Constant	4.005	0.412	9.69	0.001
R^2	0.486	F value		16.49
Adjusted R^2	0.456	p		0.001

According to Table 8, hypothesis 5 of the study is rejected due to the non-significance of the coefficient of the ethical non-compliance*financial pressure variable. This test shows that ethical non-compliance cannot have a significant impact on the effectiveness of financial pressure on profit management decisions. The determination coefficient and the adjusted determination coefficient are 0.48 and 0.45, respectively. The adjusted determination coefficient indicates that approximately 45% of the changes related to profit management decisions are explained by the independent variable and control variables. The value of the Durbin-Watson statistic in this model is 2.055, which is between 1.5 to 2.5, indicating that the hypothesis testing model is in an appropriate state of autocorrelation of error terms. Finally, the F-statistic also shows a significance level of 0.001, indicating the overall significance of the model.

Discussion

Many studies have been conducted on profit management, but most of them focus on the motives or methods of profit management. However, these studies have not paid much attention to the personal characteristics of financial managers involved in profit management. Furthermore, most of the research on profit management has focused on the motives and reasons for the behavior of executive managers, and despite the important responsibility of financial managers in accurate financial reporting, little attention has been paid to their motives.

Research conducted by scholars such as Papadakis and Barwise (2002), Peterson and Smith , and Carpenter et al. (2004) shows that the personality traits of financial managers are important in their judgment and decision-making and considering that profit management decisions require judgment and decision-making, they can be influenced by their personal characteristics. This research is one of the few studies that focuses on profit management decisions from perspectives other than financial incentives and examines the role of emotional intelligence, self-centeredness, and lack of ethics adherence as personal characteristics of financial managers in profit management decisions.

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The results of this study show a significant positive relationship between financial incentives and profit management decisions of financial managers. The following studies support the findings of this study: Jones and Sharma (2001) findings suggest that both CEO pressure and reward incentives lead to financial management by financial managers. If financial managers engage in profit management under CEO pressure, this behavior is against the will of the financial manager because the CEO is seeking to achieve their own mental objectives, and there is no benefit for the financial manager. The reason for their tendency to make such decisions is to avoid potential responsibilities.

Motamedi et al. (2023) The results showed that CEO power has a significant negative impact on accrual-based earnings management. Also, the results showed that the concentration of CEO power has a significant negative impact on real earnings management (abnormal discretionary expenses, abnormal production cost, and abnormal cash flows from operations). The results of these studies can be explained within the framework of agency motives. In other words, based on agency theory, there is no harmony between the interests of managers and shareholders. Therefore, company managers are primarily seeking their own interests, which may result in losses for shareholders.

The results of the financial motivation test for the financial manager's impact on profit management decisions using each method, including compliance with accounting standards and non-compliance with accounting standards, considering their significant level of over 5%, were not reliable. Therefore, the research hypothesis was rejected. The findings of this study indirectly align with the following studies: Rahnemaye roposhti et al. (2008) demonstrated in their research that managers of organizations choose specific accounting methods based on their own interests among accepted financial accounting methods, thereby gaining control over financial managers of organizations. In other words, financial managers evaluate the deviation of the subject matter from accepted accounting principles when making decisions about an ethical issue, and the higher the level of deviation, the more ethical the judgment and intention of financial managers will be. Based on the results of the above hypothesis, financial motivation did not have a significant effect on compliance or non-compliance with accounting standards for profit management. Therefore, according to the designed scenario, the financial manager is under the control of the CEO of the company for predetermined goals such as receiving rewards. The results of the hypothesis test showed that the moderating effect of the emotional intelligence variable of the financial manager based on financial motivation on profit management decisions is not significant due to the coefficient of the financial motivation variable and the emotional intelligence variable * financial motivation not being significant. In fact, the results of these hypotheses confirm the findings of Jones and Sharma (2001), which suggest that individuals with higher emotional intelligence have less tendency to manage profits in a non-compliant manner with accepted principles. In other words, individuals use their emotional intelligence in a positive direction.

The results extracted from contradictory research with previous theories indicate that individuals working in the accounting profession in our society use their higher emotional intelligence to manage profits in a negative direction. In situations where the financial manager receives a reward for managing profits, a financial manager with higher emotional intelligence, aware that profit management ultimately harms the organization and puts its existence at risk, can control their desire for a reward due to their ability to control their emotions. It seems that this approach also prevails in the commercial and organizational environment in Iran, causing financial managers to use their emotional intelligence for personal gain. The personal interests of financial managers can be in the form of receiving a reward or reaching higher positions in an organization. Therefore, financial managers can have a tendency to manage profits.

Other variables considered as control variables in this study were experience, age, and education level of the financial manager. The results of the hypothesis test showed that the effect of the narcissism of the financial manager on profit management decisions due to financial motivation is not significant when the self-centeredness * financial pressure coefficient is not considered. However, taking into account the control variable of age and education level, a significant relationship is observed. In fact, the results of this hypothesis show that financial managers in Iranian companies are appointed by CEOs and are somewhat under the influence of the CEO. Therefore, in such conditions, financial managers do not have the freedom to act as narcissism individuals, but this characteristic becomes more apparent in managers with increased age and education level. The results of this study are not consistent with the findings of Ham et al. (2017), as their research shows that narcissism financial managers have a greater tendency to manage actual profits and engage in fraudulent reporting.

The effect of the moderating variable of non-adherence to ethics by financial managers due to financial motivation on profit management decisions is not significant due to the non-significant coefficient of the variable of non-adherence to ethics by financial managers * financial motivation. However, considering the control variables of gender, age, and education level, a significant relationship is observed. In fact, the results of this hypothesis are indirectly consistent with the findings of Izadinia, Mansourfar, et al. (2015) and Abbasi and Izi (2020). The results of the studies have shown that financial managers in companies have no full understanding of ethical concepts and rely on personal beliefs to solve ethical problems in their work environment. In general, it can be said that the coefficients resulting from the significance of the variable of non-adherence to ethics by financial managers in profit management have been obtained from the questionnaire score. Based on the results of the designed scenario, the level of non-adherence to ethics cannot be effective on the profit management decisions of financial managers due to financial motivation. Other variables such as gender, education level, and experience have also been influential. Therefore, it can be concluded that the level of non-adherence to ethics is a suitable predictor for the profit management decisions of managers or that profit management decisions in companies are a function of the level of non-adherence to ethics by financial managers.

The results of this study can question the hypotheses of positivist accounting research regarding profit management decisions. According to these hypotheses, profit management decisions are personal interests, and the personal interests that positivist research is concerned with are material interests and rewards received by individuals. However, as the results of this study show, the personality traits of financial managers in decision-making for profit management are influential. In addition to financial issues that can create decisions for profit management, the satisfaction of superiority and the desire to gain power and the need for respect and admiration from others can create a strong motivation for self-centered individuals to engage in profit management.

Based on the findings of this study regarding the role of personality traits in choosing accounting methods and profit management decisions, it is necessary to consider psychological and personality factors when examining accounting issues. This also requires attention from stakeholders and legal authorities to financial managers. The results of this study can help accounting policymakers and standard-setters understand the influential factors on profit management decisions and the role of personality traits in profit management. Individuals who are self-centered and hold managerial positions can have a negative impact on the culture and structure of organizations. Even with an appropriate financial reporting strategy, it may not be possible to achieve an optimal accounting and reporting system. Therefore, it is necessary for the thinking of financial managers to be aligned with the interests and preferences of the organization for better functioning of the accounting system. The results of some studies, such as Roberts (2001) study, show that the existence of professional behavior in companies cannot prevent self-centered managers from making wrong decisions. Therefore, it seems that individuals in managerial positions, particularly in the accounting department, should be selected carefully, not only based on their skills and expertise but also on their personality traits. Secondly, the existence of effective auditing and management control systems can help control and modify negative personality traits of individuals working in the accounting department.

This study, like many other studies, has some limitations, such as the fact that the data used in this study was collected through a questionnaire, which inherently has some limitations. Additionally, since this

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study is in the field of behavioral sciences and related to professional individuals, respondents may not have expressed their true opinions.

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