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Quality of earnings and normative characteristics: Views from C-suite

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Abstract
Research aims: This research aims to explore the effect of normative attributes of the top management team (TMT) on the quality of earnings figures.
Design/Methodology/Approach: The research drew on an interpretive approach and semi-structured interviews conducted with thirty-three members of top management from nine different sectors.
Research findings: The findings reveal that, within the Egyptian setting, the quality of earnings is a product of the combined and overlapping effect of the TMT's normative characteristics. These personal features are dominated by the utilitarian ethical orientation, which is based on the collectivist nature of Egyptian society.
Theoretical contribution/originality: This study's contributions to the literature include supporting the theory advocating that the quality of financial disclosure is an outcome of a joint set of normative motivators, including the TMT's demographic, cultural, and ethical traits; suggesting the importance of considering the quality of earnings as a multifaceted task, as there is no one normative characteristic working in isolation from others. Also, this survey advances academic's understanding of the upper echelons (UE) theory by choosing Egypt, a non-U.S. and non-developed setting, as a research context that faces scarce research in this area.
Practitioner/Policy implications: Conceptualising the relationship between the transparency of FRs and TMT's normative profile in the Egyptian context might be of assistance to diversified interested parties such as policymakers, regulators, stakeholders, global markets, organisations, external auditors, scholars, the accounting profession, and academics
Research limitation\implication: The research ignored fields like financial and banking fields, and the findings may not be equally applicable to other settings rather than Egypt.
Keywords: Earnings Management; Egyptian collectivist social value; Upper Echelons (UE) Theory; Normative Characteristic; Utilitarian ethical theory

Introduction

Although there is room for normative factors whose status as such is instrumental, up to date, there is no grasp in the literature's outcomes of the whole picture of the impact of the normative attributes of the top management team (TMT) on the quality of published earnings. Given the importance of the quality of earnings in the business field to the body of knowledge, regulators, and practitioners. Coram et al. (2020) suggested:

> *"Given that 70 years of regulations have not been successful, maybe it is time to try new approaches [to reduce the deteriorated quality of the financial reporting]."*

Therefore, this study aims to explore the effect of TMT's normative motives on the quality of published earnings as a novel approach deserving investigation to shed light on one of the dark and hidden sides of the phenomenon of inferior quality of earnings. In order to achieve this aim, the study addresses the following questions

RQ1: *What are the effects of the demographic characteristics of TMT that can be translated into motives to intervene in published financial information?*

RQ2: *What is the liaison between Egyptian cultural values, TMT's ethical orientation, and their financial decisions related to EM?*

The importance of this research relies on the following: the related study is still rarely performed in the Egyptian context where the research was carried out, although several cases of misreporting and accounting malpractices by the Egyptian Capital Market Authority in spite of declaring various laws in the last decade to enhance the level of transparency and quality of FRs (Bassiouny, 2016). This research also responds to the various calls for further studies to examine the effect of managers' characteristics on financial statement fraud in developing countries, e.g., Egypt (Quigley et al., 2017), and to relate the Egyptian cultural drivers suggested by the social psychologist Geert Hofstede with the executives' tendency to practice EM (Bassiouny, 2016). Furthermore, unlike prior literature, this research considers the effect of the environment and culture on the relationship between earnings quality, executives' demographic characteristics, and their ethical perception; incorporates the managers' ethnicity and their cultural differences in upper echelons (UE) research; employs TMT instead of the focus on CEOs or CFOs as sole decision-makers for financial reporting quality; and uses an interpretive approach to overcome the shortage of positive methodology used to explore such a phenomenon. Particularly, this research gains its importance because it bridges the empirical, theoretical, and methodology gaps in prior literature and provides some incremental contributions to serve as a foundation for future studies.

First, the empirical gap resulting from prior literature's mixed findings and ignorance of valuable variables, e.g., research context and cultural influence. The accounting literature has examined the relationship between earnings quality and executives' demographic characteristics, such as age (Belot & Serve, 2018; Coram et al., 2024); experience (Shen et al., 2020); education (Zhang, 2017); ethical values (Im & Nam, 2019;Shafer, 2015); and ethical orientations (Abidin et al., 2017 ; Coram et al., 2020), without considering the cultural effect on TMT characteristics and ethical perceptions. However, culture is an important environmental variable that should be included in the empirical investigation of EM. The negligence of culture's impact might be one interpretation of the mixed outcomes of various studies, which were confirmed by (Moore et al., 2012) . They declare that the stream of literature has not provided evidence that context-specific individual differences are linked to context-specific behaviour related to EM, which may be an explanatory factor of why mixed results have been found in business settings. Also, the contradictory and inconclusive findings of studies might result from their explicitly or implicitly assuming that CEOs or CFOs are the most powerful actors in organisations and the sole decision-makers for financial reporting quality. Accordingly, they have focused on investigating the impact of the personal attributes of CEO (Ho et al., 2015; Ran et al., 2015; Schrand & Zechman, 2011) or CFOs (Barua et al., 2010; Liu et al., 2016) on corporate financial reporting. Therefore, this research employs TMT as the main source of collective and joint corporate decisions, including those related to FRs' quality, following Hambrick (2007)claim that "[l]eadership of a complex organisation is a shared activity, and the collective cognitions, capabilities, and interactions of the *entire TMT enter strategic behaviours*" (p. 334, emphasis added).

The second is the theoretical gap. Recent decades have witnessed a surge of research that used upper echelons theory (UE) to investigate the essential determinants—e.g., executives' demographic characteristics—for a firm's successes or failures in disclosing high-quality financial information in the USA and developed countries. Egypt is a setting well recognised as significantly different from developed economies in its cultural values, socio-economic systems, and stock ownership structure. Thus, selecting the Egyptian context in the present study responds to Hambrick's (2007) call for more empirical studies to use non-U.S. firms in order to enhance our understanding of the ''different complexions'' that upper echelons (UE) theory may take in different socio-economic contexts and to Wang et al.'s (2017) and Abatecola & Cristofaro's (2020) recommendations to incorporate the managers' ethnicity and their cultural differences in upper echelons (UE) research that previously has focused only on demographic characteristics of managers. Furthermore, prior literature rarely used systematic synthesis because of the dependence on a single theoretical perspective, such as UE theory (e.g., Abatecola & Cristofaro, 2020 ; Bouaziz et al., 2020). Therefore, the present research uses a multi-theoretical framework consisting of new institutional sociology theory (NIS), upper echelons theory (UET), ethics theory, and Hofstede's cultural dimension theory to predict the phenomenon under investigation.

Third is the methodological gap. Under the positivist approach, the researchers not only fail to control all the crucial aspects of the real context under investigation that determine the behaviors of individuals but also disallow participants to express their actual beliefs and attitudes or show the complete range of behaviors and experiences available to them in real situations (Behling, 1980; Stone, 1978) leading to examining a phenomenon that differs from its real-world counterparts, referring to unrealistic positivism. In the realm of EM,Gunny (2009) declares that:

> *"Given the inherent difficulty to identify earnings management without knowing the manager's true intention [beliefs and attitudes], one criticism of the positivist literature is that any earnings management identified may be a result of an omitted variable or maybe capturing behavior other than intentional manipulation."*

Consequently, this research drew on an interpretive approach and conducted semi-structured interviews with thirty-three TMTs, selected from nine different sectors, to collect primary and first-hand data. This complies with (Nguyen et al.'s (2020) and

Plöckinger et al.'s (2016) calls for future research that should more closely investigate the magnitudes of managerial influence and more strongly utilise interviews as research methods to generate rich data.

This research has opened ambiguous and under-explored areas because, when it comes to benchmarking against the existing literature, its shreds of evidence offer many novel key insights. First, it cogitates a novel approach that solving the dilemma of spreading low-quality financial reporting is rooted in not only a deep understanding of the demographic features of TMT but also the necessity of awareness of the influence of the social and cultural dimension on TMT's ethical code and their ethical perspective, which mainly direct these attributes. This approach also refers to the goodness of financial disclosure as a multifaceted task and a reflection of a bundle of TMT's normative characteristics working together, not individual ones working in alienation from each other. This consists with Kachelmeier's 2010) debate "… People make decisions, and those *decisions* are *shaped* by the *personalities* of those involved… characteristics such as *gender*, *education*, *ethnicity* [and *ethical* orientations]… influence managers' *styles*, [personalities and *decisions*]" (p.1127, emphasis added). Second, this survey conceptualises the effect of cultures and ethics as the greatest explanatory powers for TMT's choice of whether to manage earnings, holding that the intervention in the financial reporting is based on the TMT's ethical interpretations of the consequences of this action as a function of their cultural values. It also suggests that there is neither one pattern of executives' ethical perception of EM practice nor a common pattern of executives' intention to intervene in the financial results that fit all contexts. Third, the current study has contributions on the theoretical level. It employs Egypt as the study context, which has a different socio-economic setting from the U.S. This enhances the scholars' knowledge about UET and advances the understanding of what Hambrick, (2007) called the "different complexions" that UET may take. The findings are consistent with the predictions of UET but in a non-U.S. setting. Also, this study adds to UET by revealing that the organisational outcomes, including the quality of the financial report, are a reflection of not only TMT's characteristics but their ethical code and ethnicity as well. Fourth, this research provides a new approach, away from setting regulations or rules, that can prompt the transparency of the FRs in Egypt, one of the developing, Arabic, and Middle Eastern nations facing scarce research in this area, although it needs to high-quality FRs to succeed its economic reform. Fifth, this research is an initial one, employing an interpretive approach in this area to overcome the lack of realism of the positivist approach. This results in a complete visualisation of the normative motivations that affect the quality of FRs in the real world and generates rich conclusions and sound pieces of evidence for being generalised in similar settings.

The remainder of this study is organised as follows: Section two reviews the literature and develops a comprehensive theoretical framework. Section three describes the research approach and the data collection model. Section four reports the empirical results and provides a discussion of the results. Section five concludes the remarks.

Literature Review and Hypotheses Development

Scott (1995) postulates that normative pressure stems from individuals' characteristics, ethical orientations, cultural norms, and values of the organisational actors and constitutes a powerful external pressure exerted on them to make a particular decision and adopt a certain practice. This is in line with Yeh et al.,'s (2023) argument that institutional national variations influence business strategy, performance, and decision-making.

Managers' Demographics Characteristics and Financial Reporting Quality: Upper Echelons Theory

According to NIS theory, a part of the normative institutional motivations driving a firm's managers to make a certain decision stems from their demographic characteristics. This is consistent with the upper echelons theoretical (UET) framework that the personal characteristics of the powerful actors, i.e., the upper echelons in an organisation, are important inputs in the prediction process of corporate strategic choices and decision outcomes (Hambrick, 2007; Hambrick & Mason, 1984). Therefore, this paper has reviewed previous studies to understand the socio-demographic characteristics of managers that matter while preparing financial reporting.

Educational Level

Scholars conclude that the education level of management can signal its ability. Thus, academic directors are able to reach superior operational performance and publish high-quality FRs through their monitoring, advising, and diversity roles (Francis et al., 2015; Hsieh et al., 2018; Li et al., 2016b; Qi et al., 2018; Taleatu et al., 2020). Contrarily, other scholars observe a positive relationship between the education level and financial restatements (Liu et al., 2016; Wang et al., 2017; Zhang, 2017). However, Ge et al. (2011) and Schrand and Zechman (2011) found no significant impact of educational level on misreporting.

Experience

Executives' functional experience may be less likely to go along with a decision to manage earnings because they are capable of achieving the purposed earnings level without engagement in a decision negatively affecting the quality of financial reporting (Bouaziz et al., 2020; Gounopoulos & Pham, 2018; Hsieh et al., 2018; Li et al., 2016; T. Nguyen et al., 2018; Qi et al., 2018; Shen et al., 2020; Taleatu et al., 2020; Uwuigbe et al., 2014; Zouari et al., 2012). Another strand of studies proposes that the top management expertise can have a dark side on the quality of a firm's FRs, as they provide evidence about the positive association between the experience of CEOs and CFOs and the low quality of firms' financial reports (Baatwah et al., 2015; Bouaziz et al., 2020; Jiang et al., 2013; Li et al., 2016; Qi et al., 2018; Schoar et al., 2011; Zhang, 2017; Zouari et al., 2012).

Age

Management's age is another observable demographic variable affecting managerial decisions and the risk level of corporate policies. It, therefore, is deemed an important determinant of financial reporting quality(Belot & Serve, 2018; Huang et al., 2012). One trend of research finds that CEOs in their early years of the service are concerned about their career and intend to signal their abilities and skills to both the shareholders and the labour market for being positively evaluated. Thus, they are more motivated to engage in EM to publish maximised earnings figures on which the outsiders' evaluation is based (Ali & Zhan, 2015; Belot & Serve, 2018; Bouaziz et al., 2020; Huang et al., 2012; Li et al., 2016a; Serfling, 2013; Setyawan & Anggraita, 2018; Yim, 2013). Other scholars provide opposite evidence that younger managers endeavor to develop their careers and care much more about their reputations. Hence, they are less likely to bear possible negative consequences of making risky decisions (Belot & Serve, 2018; Holmstr€om, 1999; Huang et al., 2012; Neifar et al., 2016; Taleatu et al., 2020; Zouari et al., 2012).

Another river of research reveals that CEOs and CFOs near retirement age tend to be more ethical, conservative, and resistant to any ethically questionable behavior resulting from the concern about their career security and retirement income (Belot & Serve, 2018; Bouaziz et al., 2020; Cheng, 2004; Huang et al., 2012; Matta & Beamish, 2008; Neifar et al., 2016; Qi et al., 2018; Sundaram & Yermack, 2007; Xiong, 2016). Contrarily, researchers find that CFOs and CEOs in the final year of their service are more apt to manage earnings to increase the reported earnings figures for the sake of increasing the final compensation payments and/or enhancing the possibility of being offered well-remunerated post-retirement positions (Ali & Zhan, 2015; Davidson et al., 2007; Huang et al., 2012; Isidro & Gonçalves, 2011).Nevertheless, others do not conclude any observable effect of managerial age on practicing EM (Alqatamin et al., 2017; Davis et al., 2015; Dyreng et al., 2010; Ge et al., 2011; Ran et al., 2015; Schrand & Zechman, 2011; Setyawan & Anggraita, 2018; Wang et al., 2017).

Accounting literature has not provided clear-cut evidence related to the relationship between managers' demographic characteristics and their involvement in EM practices. This can be a product of the negligence of the influence of other normative features, such as ethical orientation and ethnicity, on TMT decisions related to the quality of financial reporting.

Managers' Ethnicity, Ethical Orientation, and Financial Reporting Quality: Hofstede's Cultural Theory and Ethics Theory

Previous literature has galvanised more attention to the effect of executives' ethics on their decisions related to running the firms in general and preparing financial reports in particular. Accounting literature shows that in the USA, managers with high (low) ethical values and standards perceived EM activities as more unethical (ethical), leading to high (low) quality FRs (Beaudoin et al., 2015; Elias, 2004) . Similar results are found in Korea (Im & Nam, 2019), Greece (Karassavidou & Glaveli, 2006), China (Shafer, 2015), and Jordan (Al frijat & Albawwat, 2019). Clikeman et al. (2001) find that in the US and Asia, students and business executives believe that accounting activities-based EM and operation activities-based EM are ethical practices. This drives Al frijat & Albawwat, (2019) to postulate that the individual's personal code of ethics is deemed one of the most powerful inputs that ultimately influences the human being's beliefs, thoughts, values, behaviors, and attitudes, hence their decisions and activities.

Consequently, it has become necessary to understand the different kinds of executives' ethical orientations related to EM ethicality. So, this research draws on Moreland's (2009) ethics theory, utilitarianism versus deontological ethics, to explain human beings' ethical orientations and their perceptions related to the ethicality of an action or decision, including EM. Utilitarianism is the first ethical principle, always focusing on the consequences of the decisions; it is, therefore, referred to as consequentialism. By way of explanation, utilitarianism would never act solely on the basis of personal opinion or preference. Alternatively, when a decision involving numerous stakeholders needs to be made, everyone's interests need to be considered. Thus, this decision will be taken if it benefits the majority of people. In the light of the principles of the utilitarian ethical orientation approach, the basis for accepting or rejecting a rule or a decision is achieving the greatest good for the greatest number of interested parties. Morality implies that the rightness or wrongness of an act is solely a matter of the consequences of doing that act. Another issue with utilitarianism is that those in power usually make those decisions, i.e., a firm's executives, rather than those who will be affected by these decisions. Accordingly, a virtuous person (e.g., TMT) considers the right action (e.g., EM) as the one that results in more good consequences for everyone, whether it violates prevailing rules or principles. Deontology, in contradistinction to utilitarianism, focuses on the action itself, whatever its consequences. This ethical approach holds that the right action is independent of its consequences. The rightness or wrongness of a decision is a matter of the intrinsic moral features of that kind of decision. Therefore, a moral person considers the right actions, rules, and principles as commands that are inherently valuable and should never be violated, regardless of their consequences.

A trend of studies conducted outside the Middle East area focuses on the consequences of EM while judging its ethicality and reports that in the US, EM is viewed as unethical behaviour when resulting in increased self-interests to managers and negative consequences to organisations, such as obscuring a true firm's value and eroding trust between shareholders and companies(Graham et al., 2005). Similarly, EM practice is perceived as an ethical behavior when aiming at bringing positive and better consequences to organisations, not to managers' own benefits in different regions. These consequences include signaling the company and maximising shareholders' value in the USA (Elias, 2004; Johnson et al., 2012; Kaplan, 2001); achieving better financial performance (ROA and ROE) in Malaysia (Abidin et al., 2017); meeting the market financial expectations in Malaysia(Hashim et al., 2013); focusing much more on the company's reputation in China (Shafer, 2015); meeting financial analysts' annual profits forecasts and the future performance in Australia (Dugan et al., 2016); and shielding current shareholders from the short-term costs resulting from their firm's failure to meet the market's expectations in Australia Coram et al. (2020) . Thus, EM is viewed as an ethical vehicle when managers reveal private information about future earnings to bring benefits to firms.Bruns & Merchant’s (1990) results confirm that the key to moral behavior is the obligation to look beyond self-interest and focus on the benefits of others, which reflects a utilitarian ethical approach. Whereas in consistency with the deontologist code, Jooste, (2011) finds that in South Africa and the USA, EM is perceived as an ethical and non-problematic practice when it does not prohibit explicitly and does not deviate from the rules, regardless of its consequences or who might be affected.

Given the above arguments, there is no one pattern of ethical code affecting human beings’ perception regarding the morality of EM that fits all contexts.Hofstede & Bond, (1988:6) assert that “there are differences in ethical orientation and perception of individuals because of differences in the cultural features which distinguish members of one category of people from those of another. This, in turn, influences the accounting practices and financial reporting decisions in developing countries which might not be consistent with those found in developed and Western contexts”. This necessitates searching for the Egyptian cultural features and ethnicity that make executives' perceptions of the morality of EM differ from those in other contexts. According to Hofstede’s (1984) assumption, there are key relevant socio-cultural characteristics that differentiate the culture of Egypt, one of developing Arabic and Middle Eastern countries, from developed and Western cultures. One of the most influential cultural characteristics of Egypt is collectivism, which refers to Egypt as a “tightly knit” social framework where people prefer the concept "we" not "I." Egyptians reflect this behavior in the expectations that "their relatives, clan, or other in-group to look after them in exchange for unquestioning loyalty"(Hofstede, 1984). That is, there is a close relationship and high interdependence and integration among members of Egyptian society.

It is proposed that the executives' demographic characteristics are one side of the normative pressure exerted on the firms’ executives from their environment to impinge on financial reporting, and the socio-cultural values and norms and ethical code are the other side. Both are key determinants of firms’ outcomes. Egypt is a collectivist society in which all people consider themselves as one family; they have cultural values driving them to care for and benefit each other. Consequently, individuals (e.g., managers) tend to be utilitarians who perceive an action (e.g., the intervention in the financial results) to be an ethical action when it achieves the greatest good for everyone involved. From the utilitarian ethical standpoint, managers accept and justify an immoral decision, e.g., EM, as a moral one if such a decision produces a maximisation of good consequences for everybody involved.

Research Method

Nguyen et al. (2020) noticed that the bulk of existing studies used a quantitative approach that directly collected secondary data from existing surveys, questionnaires, and actual databases. Under this approach, the researchers failed to control all the crucial aspects of the real context under investigation that determine the behaviors of individuals, and they also disallowed participants to express their beliefs and attitudes or show the complete range of behaviors and experiences available to them in real situations (Behling, 1980;

Stone, 1978). This resulted in an unrealistic context since the phenomenon under study definitely differed from its real-world counterpart. Unrealistic positivism impairs the theoretical and methodological development of research and prevents existing literature from providing complete insights into the phenomenon under study(Nguyen et al., 2020). Therefore, adopting interviews is highly advantageous as a suitable data collection method, serving the research objectives because of gathering primary data and generating powerful evidence *(ibid.*).

This research drew on an interpretive research approach and semi-structured interviews with TMT for better exploration of the relationship between TMT's normative traits and the quality of disclosed information. Semi-structured interviews were conducted with the thirty-three members of top management, responsible for setting the overall direction of a company and making sure that the major organisational objectives are achieved. This responsibility also included making various decisions about the firm's financial reporting. The researcher was able to get authorisation to see those executives through personal ties. The study concept and the interview questions, which complied with the ethical standards set by Tanta University Faculty of Commerce, my university, were disclosed to participants in order to obtain their consent to participate in the study. They received information on the study's voluntary nature and their right to withdraw at any moment without explanation or concern for the consequences, along with my institution's approval report. Additionally, the researcher guaranteed that they had total autonomy over their choice to take part. The researcher purposed to choose these members to have different ages, various levels of education, and work experience to elicit their attitudes, opinions, and behaviors regarding the morality of FRs' intervention. This, in turn, helped understand the impact of TMT's normative characteristics, including demographic traits, ethical perceptions, and ethnicity, on the quality of financial reporting.

The researcher's semi-constructed interview questions are shown in Table No. 1. and started recording interviews after getting permission to do that. Then, interviewees were asked their opinions about the extent to which the demographic traits of TMT affect their decision to intervene with the published FRs. They were asked about their intention and purpose of practicing EM and also their anticipations about the possible EM consequences for the firm, themselves, and external and internal stakeholders. This is to elicit the effect of the collectivist cultural nature of Egypt and TMT's utilitarian ethical approach, which leads TMT to see a practice like EM as legitimate, acceptable, and moral if it results in positive consequences and benefits for the whole group and all involved parties.

Table 1 Semi Constructed Interviews

Topic One: The Effects of the Demographic Characteristics of TMT that can be Translated into Motives to Intervene in Published Financial Information	
Interviews Questions	References
<u>Opening question</u> - Do you think that the demographic traits of TMT affect their decision to intervene in the published FRs? - If yes, which demographic characteristics are most more affective? <u>Probing questions:</u> Do you think that: 1) Does the professional experience have a motivating role in adjusting a firm's financial position? 2) Does TMT's age have an impact on their decision to modify the FRs? *3) Does the Academic Education of TMT have an incentive role in practicing EM?* *4) Is there an overlap between the different features of TMT?*	Literature considering the effect of demographic traits on managers on EM (see, for example, Belot & Serve, 2018; Bouaziz et al., 2020; Hsieh et al., 2018; Qi et al., 2018; Taleatu et al., 2020; Zhang, 2017).
Topic Two: TMT Ethnicity and Ethical Orientations and Earnings Quality	
Interview Questions	References
First: The Morality of Earnings Management and Its Consequences for Firms <u>Opening Question:</u> - What are your purposes for practicing EM? - Is EM ethical, and why? - Could your purpose be interpreted as being in the corporation's best long-term interest or a more selfish purpose? - What are the consequences of practicing EM on your firm's affairs and its interests? <u>Probing Questions:</u> Do you think that: - Does EM have a positive or negative effect on the firm-outsider relationships? - What is the consequence of EM on shareholders' value (current and potential)? - What is the consequence of EM on your firm's ability to raise debit or credit funds? - What is the consequence of EM on creditors, suppliers, customers, and employees? Second: *The Morality of Earnings Management and Its Consequences for Executives* - What are the consequences of practicing EM on your benefits as a member of TMT? - Could achieving benefits for yourself be at the expense of others, i.e., your firm? - What are the benefits you can get from practicing EM? *Third: The Morality of Earnings Management and Its* Consequences *for Stakeholders* - What are the effects and consequences of practicing EM on the firm stakeholders' interests (inside and outside)?	Studies have focused on the consequences of EM while judging its ethicality. EM is perceived as an ethical behaviour when aiming at bringing positive and better consequences to organisations, not to managers' own benefits (e.g., Abidin et al., 2017; Coram et al., 2020; Dugan et al., 2016; Elias, 2004; Graham et al., 2005; Hashim et al., 2013; Johnson et al., 2012; Kaplan, 2001; Shafer, 2015) Literature has associated EM morality with the manager's purpose and intention of practicing it (see, for example,Bruns & Merchant, 1990; Hamilton et al., 2018; Kaplan, 2001; Merchant & Rockness, 1994)
Fourth: Domination of Ethical Code on TMT's Personal Characteristics - Is there any impact of the demographic characteristics of TMT on their ethical orientation? Or the opposite is true? - Which has a dominative effect on the other?	

Significantly, data were collected in person, which allowed the researcher to learn about the individually identifiable information—such as phone numbers, email addresses, IP addresses, names, demographic characteristics, and moral convictions—that cannot be hidden after research participants identified themselves. To maintain their anonymity, the research did not link any particular participant to the concepts or feedback received. Furthermore, the researcher replaced participant-identifying information with pseudonymous or fictional identifiers. By doing this, the researcher was able to keep their private information hidden, store it securely, and separate it from the study data. Collectively, the sample comprises four various categories of top managerial positions: chief executive officers (CEOs) making up 46% of the total interviewees, chief financial officers (CFOs) making up 30 % of the total interviewees, Chief Operating Officer (COO) making up 12 % of the total interviewees, and vice president group (VP) making up 12% of the total interviewees as shown in Table 2 and Figure 1.

Table 2 The Percentage of Executives Position

Management position	Number of interviewees	Percentage (%)
CEO	15	46
CFO	10	30
VP	4	12
COO	4	12
Total	33	100

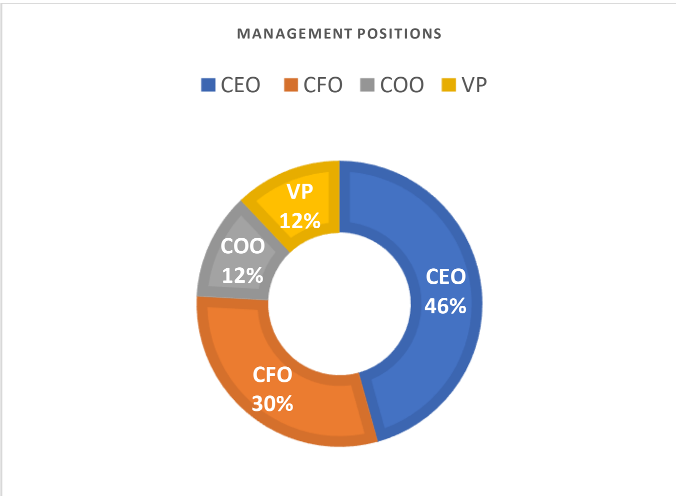

Figure 1 Management Positions

The research sample was chosen from both industrial companies (72.7%) and service companies (27.3%). More precisely, TMT was selected from nine different businesses, including the pharmaceutical industry (15%), motor industry (12%), textile industry (12%), food industry (9%), wood industry (6%), paper industry (9%), construction firms (3%), hospitality, hotels, and restaurants (12%), and securities brokerage companies (15 %) as shown in Table 3.

Table 3 Interviewees' Sectors

Sector	No. of interviewees (%)	Total
Industrial sector		
Pharmaceutical industry	5 (15%)	
Car industry	4 (12%)	
Textile industry	4 (12%)	
Food industry	3 (9%)	
Wood industry	2 (6%)	
Paper industry	3 (9%)	
Construction	3 (9%)	
Total number of interviewees from the industrial sector		24(72%)
Service sector		
Hospitality: hotels and restaurants	4 (12%)	
Brokerage	5 (15%)	
Total number of interviewees from the service sector		9(27%)
Total number of research interviewees		33 (100%)

nvolving a variety of respondents who are central to the study maximises the difference within the sample and, hence, creates a representative and inclusive sample relative to the parent population (Lewis & Ritchie, 2003). This, in turn, enhances the validity of the study and provides some assurance that the findings are valid in an Egyptian context. To get in-depth and rich data, the researcher followed Patton's (2002) suggestion, "maximising to the full the advantages of in-depth [data], purposeful sampling will do much. Therefore, as shown in Table 4, participants were selected using a purposive (criterion-based) sampling technique to enhance the research validity, whereby respondents, i.e., executives, were chosen based on having certain features, including their age, work experience, education level, professional positions, perceptions, attitudes, and beliefs (Ritchie et al., 2003).

Table 4 Demography of Corporates' TMT

Manager No. (MAN)	Manager's Position	Manager's Age	Manager's years of experience	Manager's education level	Manager's Field
MAN1	Chief executive officer	42	12	Diploma in accounting and audit	Pharmaceutical Industrial
MAN 2	Chief executive officer	37	9	Diploma in accounting and audit	Pharmaceutical Industrial
MAN 3	Chief executive officer	38	16	Master Business Administration (MBA)	Car industrial company (assembling cars)
MAN 4	Chief executive officer	33	10	MBA	Car industrial company (assembling cars)
MAN 5	Chief financial officer	50	25	MBA	Textile company
MAN 6	chief financial officer	42	20	Diploma in accounting and audit	Hospitality industry lodging, meals, and event planning
MAN 7	Chief Operating Officer	28	6	MBA	Brokerage company

Table 4 Demography of Corporates' TMT (cont')

Manager No. (MAN)	Manager's Position	Manager's Age	Manager's years of experience	Manager's education level	Manager's Field
MAN 8	Chief Executive Officer	60	41	MBA	Brokerage
MAN 9	Chief executive officer	55	27	PhD in Accounting	Brokerage
MAN 10	Vice President (VP)	56	35	Master Business Administration (MBA)	Brokerage
MAN 11	Chief executive officer	59	27	PhD in financial and economics	Brokerage
MAN 12	Chief executive officer	42	16	MBA	Construction industry
MAN 13	Chief executive officer	28	6	MBA, Master in Business Administration	Manufacturing industry: food
MAN 14	Chief executive officer	31	7	Master in Economics	Hospitality industry lodging, meals, and event planning
MAN 15	Chief executive officer	35	12	Certificated Management Accounting (CMA)	Manufacturing food industry
MAN 16	Chief financial officer	35	15	Certificated Management Accounting (CMA)	Pharmaceutical industry
MAN 17	Chief Financial Officer CFO	60	25	PhD in finance	Pharmaceutical industry
MAN 18	Vice President (VP)	45	12	PhD in accounting and auditing	Pharmaceutical industry
MAN 19	Chief Operating Officer (COO)	38	16	Diploma in stock market studies/ MBA in markets stock studies	Construction industry
MAN 20	Chief Executive Officer CFO	30	10	Certificated Management Accounting (CMA) Certificated financial managers(CT)/ Charted Market Techniques (CMT)/ Certificated Portfolio Managers (CPM)	Construction industry
MAN 21	CEO	55	28	MBA and PhD in accounting	Textile industry
MAN 22	Chief executive officer	49	18	MBA and PhD in finance	Textile industry
MAN23	Chief Operating Officer	49	10	PhD, UK	Manufacturing Wood industry
MAN 24	Vice president	49	16	MBA, Durham, UK	Manufacturing paper industry
MAN 25	Chief executive officer	43	8	MBA	Textile industry
MAN26	Chief executive officer	26	4	Master in management	Manufacturing Wood industry
MAN 27	Chief executive officer	28	6	Master in management	Manufacturing paper industry
MAN 28	Chief executive officer	26	5	Master in tax	Manufacturing food industry
MAN 29	Chief executive officer	25	4	Diploma in management	Manufacturing paper industry
MAN 30	Chief Operating Officer	26	4	MBA in management	Car industrial company (assembling cars)
MAN 31	Vice president	45	18	PhD in Accounting	Car industrial company (assembling cars)
MAN 32	Chief executive officer	46	19	PhD in Accounting	Hospitality industry lodging, meals, and event planning
MAN 33	Chief executive officer	30	7	Master in management	Hospitality industry lodging, meals, and event planning

Furthermore, to ensure a high level of external validity, the interviewer endeavored to be as neutral as possible to avoid leading the interviewees towards particular answers (Charmaz, 2001) and being unbiased during the analysis of the data collected (Lewis & Ritchie, 2003). Being unbiased entails the researcher providing explanations for the phenomenon, not only by incorporating analysis of all the data collected (Mehan, 1979; Silverman, 2010) but also by avoiding the use of brief "conversations, snippets" from interviews or just "a few well-chosen examples "(Bryman, 1988; Silverman, 2000). Accordingly, Ritchie and Spencer's (2002) thematic approach was used to analyse the data comprehensively.

This approach starts by constructing a thematic framework or index based on the research questions and interviewing questions. Indexing was the next step, in which the researcher systematically applied the thematic framework to the gathered information in its textual form. Thereafter, the charting step was achieved, entailing transferring the data from its original contexts to be rearranged in accordance with the headings and subheadings drawn from the thematic framework, i.e., according to each interview question, by employing a "cut and paste approach" to chunks of text and verbatim responses of the interviewees. Using direct quotations from participants' answers and excerpts from what the participants actually said enhanced the validity of the research in terms of providing accurate and correct interpreting and representing the effect of managerial demographic characteristics and ethical orientation on practicing EM in ways that they are perceived by the participants and the research population. The researcher then focused on the final step, mapping, and interpretation, wherein data were interpreted and answers were provided to the research questions. During this process, the analyst defined concepts, searched for patterns and connections, reviewed comparisons and contrasts of the participants' perceptions, beliefs, or experiences, and developed strategies and mapped the nature of phenomena. Furthermore, upon completion of the paper, the researcher allowed participants to evaluate their responses and advised them that they could request the removal of their information by contacting me; this is crucial for their legal protection.

Result and Discussion

Normative EM Motivations: Executives' Demographic Characteristics, Ethical Orientation, and Ethnic Origin, and Financial Reporting Quality

It is "impossible" to understand individuals' actions without a sufficient understanding of their traits, values, beliefs, and codes of ethics, which are affected by their environment and differ according to the individual's context (Hofstede, 1984.)

Executives' Demographic Characteristics and Financial Reporting Quality

According to the theoretical assumption of the research, the personal attributes of TMT, such as age, experiences, and education, have become valuable determinates in predicting the outcomes of a firm. These characteristics have been considered hidden motives that affect the quality of earnings.

Experience

Several interviewed executives with different levels of experience, ranging from 9 to 41 years, believe that the importance of experience has a negative effect on the quality of FRs. A COO with 16 years of experience asserts that:

> *"… Professional experience plays a key motivating role in adjusting the financial position, [because] a highly experienced manager is aware of the field secrets, and hence knows how to make brilliant and well-deliberated decisions for modifying the FRs ..."* (MAN 19).

A highly experienced CEO with 41-year of work experience said:

> *"... According to my background and experience, with the fluctuations in a firm's revenues, investors will feel that there is something wrong with its financial position and that there is a high risk of investing in such a firm ... this encourages me to adjust FRs to avoid such fluctuations and the instability in the reported earnings figures"* (MAN8).

A CEO with 12 years of experience attests to this point by stating:

> *"While submitting the FRs to the Egyptian Stock Exchange (EGX), we tried to decorate the financial image by stabilising the income levels through years and avoided reporting losses…"* (MAN1).

Whereas a CFO, with 25 years of experience, among a few interviewed executives, states that:

> *"… Managers with high expertise can have a great ability to determine the potential long-term adverse consequences of managing profits so they reject to engage in this sort of practices …"* (MAN 17).

Age

Numerous interviewed members of TMT, nearing retirement age, are excited to manage profits upwards for signaling themselves and hence for enhancing their occasion to get post-retirement positions as CEO 59 years old utters that:

> "*For me, I am at the end of my professional career… I always think about what is next and how I can resume my personal life with the retirement payment, which is definitely lower than my salary now… I obstinately try to signal the financial position of the company in the outsiders' eyes in order to signal my reputation, honor, qualifications, and managerial skills in the labor market in order to be appointed as*

a member of the board of commissioners within the same firm or for being offered a senior position in other firms …" (MAN11).

A CFO, 42 years old, names another personal privilege, which is securing and enhancing the retirement compensation:

"I am 42 years old, according to my thought […] when the retirement age will come I will seek to make the financial situation of my firm brilliant and preferred as much as I can ... [this] leads to make the external parties more confident in the firm's future ... [and in turn] to protect and increase my retirement payment…" (MAN 6).

Notwithstanding, the CFO, 38 years old among few executives, remarks that managers at the beginning of their career repudiate involvement in managing earnings figures, stating that:

"I am at the beginning of my career, and I got this job hardly and after a long time because of the Egyptian economic conditions… I definitely need to keep it, so it is hard to think about managing the financial results because I am worried about the consequences of that behavior since it has become a focal point nowadays that attracts the attention of many external parties…" (MAN 3).

Academic Education

A CEO holding a Master's in taxation (MTX) comments that:

"education has a decisive effect on reducing EM and publishing better and high-quality financial results" (MAN 28).

A CFO holding an MBA affirms that:

"Executives with a high level of education, having enough business knowledge and are capable of taking effective strategies leading to making prosperous operation, investment, and finance decisions… thus they do not need to manage the financial results as they can achieve preferred financial results exploiting none of earnings management mechanisms…" (MAN 5).

In addition, it is found that demographic traits together are instruments used to ease the TMT's task of impinging the financial position of the firms. A wide range of well-educated and elderly executives with different levels of experience believe in the conjunctive impact of professionals' experience, level of education, and age on managerial activity and behavior. CFOs unveil a strong creed that:

"Education alone is not an effective tool… education and experience together are the basic traits that incite managers to modify the FRs" (MAN17, Ph.D., 25 experience- years).

A VP confirms that:

> *"… neither TMT's educational level nor experience level can do anything, each alone is not a powerful tool for impinging the financial results of a firm, they must cooperate together to be effective tools"* (MAN24, MBA, 16 experience-years).

Also, most executives who are near retirement age and have different levels of experience (ranging from 7 to 35 experience- years) make a close link between managers' functional experience and their age. VP (MAN10, 56 years old, 35 years of experience) thinks that managers who have sufficient experience in making rational decisions regarding adjusting the firm's financial position are those who are not at the beginning of their professional life. CEO takes the view that:

> *"I see that great achievements are associated with the managers' age, their professional career, and work experience ...at the end of a person's career, he becomes able to cope with environmental factors. Because of possessing sufficient stock of experience as a result of facing similar problems on many previous occasions, which enables him to understand how to solve any problem, including deficits in the firm's financial position…"* (MAN9, 55 years old, 27 experience years).

Executives' Ethnicity and Ethical Orientations, and Earnings Quality

This section analyses the impact of the TMT's collectivist cultural nature as a base of their utilitarian ethical approach on the quality of earnings as a legitimate practice.

The Morality of Earnings Management and Its Consequences for Firms

Analysing the participants' rejoinders indicates that the belief of executives occupying different managerial posts in the ethicality of profit manipulation is based on yielding positive outcomes to the firm through establishing stable connections with the firm's outsiders. This leads to the firm's prosperity and the protection from financial failure. VP starts the point by affirming that:

> *"according to my ethical thought, working morally implies ... making my firm successful and bringing all the best for it ..."* (MAN24).

A CEO declares his belief that:

> *"The phenomenon of EM has acquired a bad standing, and it has been seen in an unnecessarily negative view as misleading behavior to some stakeholders about the underlying economic performance of the company … it has been seen as a practice used to hide the true performance of the firm. However, EM can be used for a more positive ethical purpose apart from misleading the users of the firm's FRs. It can be used to convey private information for signaling the firm competence, then to positively influence the outsiders' perceptions and the contractual outcomes … leading to lots of gains for the firm …" (*(MAN32).

A CFO takes the same moral view that:

> *"... It is ethical to adjust a firm's profits… to improve its reputation with outsiders and build robust rapports between the firm and its outsiders ..."* (MAN6).

Another CFO expresses that:

> *"There are psychological determinants that play a significant role in inducing a person's decisions and behavior, like loyalty ... loyalty is a very important moral behavior. For me, I like my company, and I feel great loyalty to it, so this always motivates me to endeavor to make it successful and improve its work, financial position, and reputation ..."* (MAN5).

A number of TMTs mention that increasing shareholders' confidence is one of EM's positive consequences for the firm and one outcome of the robust rapport between the firm and its outsiders. In this regard, a CFO states that:

> *"… EM is not bad … it is a way to react to uncertainties, characterised economic environment ... [by employing EM] I can stabilise and control any changes that occurred in the market and publish preferred profits figures, leading to keep my current investors and attract new ones… this is a kind of success to my firm …"* (MAN26).

As a consequence, the market capitalisation of the firm can be increased, as mentioned by a CEO who says:

> *"EM is not always indicative of the opportunistic behavior of top management … it is a beneficial tool to publish desired financial outcomes to gain benefits to my firm, including enhancing its market value"* (MAN29).

Several management members emphasise that forging good relations with other external parties of the company, such as creditors, suppliers, customers, and employees, are other positive consequences of EM practice for a firm. A CFO confirms:

> *"… if the firm published inappreciative financial results… this can be a cause for unfavorable consequences for the firm… for example, creditors and lenders may be reluctant to grant funds to the firm not to lose their money, or might provide credits to the firm with a very high-interest rate which will increase firm's capital costs…"* (MAN 16).

The same CFO continues, stating:

> *"… Without publishing fortunate financial results, my firm might also lose its competent employees and workers who prefer working for a firm with stable financial potion. There might be a loss for the firm's customers who might doubt the firm's ability to serve them after sales…"* (MAN16).

Firm protection from bankruptcy and financial dilemmas is another EM's long-run positive consequence for the organisation as mentioned by the CEO:

> *"… Beneficial and moral EM has long-term consequences such as not only buffering firms from financial failure and stabilising the financial position but strengthening its competitive positions in the business field as well, all leading to great success in future ..."* (MAN22).

The Morality of Earnings Management and Its Consequences for Executives

Miscellaneous of TMT believes that ethical EM is the practice that causes preferred consequences not only for the firm but also for themselves. A CEO takes the view:

> *"[...] Managers will not abandon and sacrifice their interests while managing firms' profits..." (MAN28). CEO thinks that: "EM is considered a moral action if I could bring better consequences for myself through bringing the benefits for my firm…"* (MAN32).

CFO asserts that:

> *"I will not exploit good chances gained by practicing EM without morally reference to my firm's advantages … both kinds of interests matter…"* (MAN6).

A CEO gives an example, postulating that:

> *"The share price of the corporation is the barometer for the competence and success of the corporate leaders, continuously giving them feedback on the shareholder's opinions of their decisions and performance … publishing favorable financial reports results in two benefits: first, increasing the stock price; and second privilege and honor for me as a leader of this firm who takes successful decisions that cause increases in the firm's stock price and its market value…"* (MAN21).

A VS highlights the difference between the unethical and opportunistic EM and ethical and altruistic EM, declaring that:

> *"… Achieving the managerial self-interests does not imply hurting the firm's interests, as there is a differentiation between exercising unethical EM for achieving managerial opportunistic gains, and ethical EM for achieving managerial self-interests… Seeking to achieve some personal benefits for myself through plausibly managing profit figures to increase its market value is not unethical and opportunistic behavior but is altruistic… in contrast, unethical and opportunistic action refers to getting personal benefits at the expense of others… I never seek to benefit myself and hurt share/bondholders or sacrifice some of the company's interests…"* (MAN18).

In this regard, several TMTs mention various kinds of managerial benefits. The CFO verbalises that:

> *"… Signaling my firm's value and its reputation in the market adds to my CV, leading to improve my reputation, skills, and competence in the labor market…"* (MAN12).

A VP mentions another advantage for firms' executives as expressed by the following comment:

> *"My self-respect results from and is linked with my company's success ... my firm's success adds to my success because this success results from my effort and my successful decisions. This, in turn, leads to more self-confidence, self-esteem, feeling satisfied; and more respect from other people… this prompts me to improve the firm's depiction in outsiders' eyes"* (MAN10).

A CEO indicates the monetary benefits by saying:

> *"… among the benefits are the economic benefits, including a share of profits and promotion to a higher-well-salaried position …"* (MAN33).

The Morality of Earnings Management and Its Consequences for Stakeholders

A CEO declares his thought:

> *"… beneficial EM is the ethical behavior when it generates the greatest good for everyone concerned… all [at least most] parties should gain"* (MAN32).

A VP supports this point by saying that:

> *"… ethical EM involves the managers' attempt to transmit continuously information intended to promote their firm's value for the sake of serving its interests and their personal interests, while simultaneously serving other parties' benefits"* (MAN18).

COO expresses that:

> *"… Without signaling the firm's financial position, there may be bad consequences to the firms and its stockholders, those who may face a reduction in their investments resulting from decreased firm value and its stock's price…"* (MAN 23).

> *"This reduction in the stock price will not help buffer the firm from financial failure. This, in turn, will not help a tremendous number of employees and workers who mainly depend on the firm for earning and surviving to keep their jobs and salaries…"* (CEO, MAN11).

A COO adds that:

> *"there may be grave consequences to the firms' potential investors, who may lose an investment opportunity and investment returns, suppliers may also suffer a reduction in the material supplied to the firm and hence in their revenues, and management staff may lose their jobs…"* (MAN 23).

Domination of Ethical Code on TMT's Personal Characteristics

A broad range of executives agree with a VP's belief that:

> *"ethical beliefs and personal traits must go hand in hand ... there is no separation between them"* (MAN31).

It is found that:

> *"… each manager applies his/her own definition of what makes up moral behavior or legitimate action according to his/her ethical approach [shaped by contextual values]. Then he defines the appropriate demographic traits that help him to conduct this action."* (COO, MAN19).
> *"… we cannot separate a person's ethical belief from his age, experience, education, and other characteristics. All constitute one person deciding to intervene in the financial results …"* (MAN1).

Moreover, it is found that TMT believes in the necessity of the dominant influence of ethical orientation on the management's demographic traits while altering the bottom line of the firm.

> *"…With the absence of dominant influence of TMT's ethical code based on benefiting everybody [as a result of collectivism cultural value], it is easy for managers to be driven to use their experience and other related demographic traits to inappropriately intervene the financial reports in a way causing negative consequences for the firm… and other parties engaged..."* (CEO, MAN 28).

"EM decision is viewed as moral behavior … as long as it does not cause potential damage to anybody" (COO, MAN23) and in condition to "… practice it within the legal rules and accounting principles and the normal course of business" (CFO, MAN 20)".

> *"This belief masters my personal traits … I mean, my ethical belief directs my demographic traits, i.e., functional experience, not only to bend the prevailing rules in order to serve my company's interests and bring about advantages for me and for the firm and others ... but also to exclude what may harm the firm or get it into tribulation…"* (VP, MAN10).

This research intends to extract the opinions, attitudes, and perceptions of top management members working in different sectors within the Egyptian context to grasp a better understanding of the relationship between their normative characteristics and the quality of the published profits. So, it draws on the interpretive approach and interviews as an appropriate research methodology and on a multiple-theoretical framework composed of NIS, UE, ethical orientation, and Hofstede's cultural theories.

Concurrent with the tenets of the research's conceptual framework, interviewing TMT concludes that the reliable use of the observable demographic characteristics of TMT is the best way to predict earnings quality, one of the firms' outcomes. In accordance with the findings of Ali & Zhan, 2015; Bouaziz et al., 2020; Jiang et al., 2013; Qi et al., 2018; Schoar & Zuo, 2017; Zhang, 2017, it is found that experience and older age have a negative effect on earnings quality. However, education has a neutral effect; this is inconsistent with Ge et al.'s (2011) and Schrand & Zechman's (2012) research. Moreover, the results suggest the conjunctive impact of professionals' experience, level of education, and age on managerial activity and behaviour regarding EM; no feature stands alone.

The second issue addressed in this study is supporting the powerfulness of TMT's ethnicity, which forms their ethical orientation, as another normative motivator affecting earnings quality. This is consistent with Ishaq et al.'s (2023) findings that ethics and economic incentives are the factors that push employees to behave in certain ways. It is also consistent with O'Fallon & Butterfield's (2005) suggestion that there is an association between individuals' judgement of the ethicality of a specific action and their cultural features since the inherent rightness or wrongness of behaviour shaped by accepted societal norms and cultural factors influences ethical decision-making.

Notably, there are differences and similarities between current research and prior ones. Because, unlike the previous research, this investigation draws on an interpretive approach. Moreover, it focuses on culture as a new variable that has not been taken into account before.

This result confirms the assumptions of Moreland's (2009) ethical orientation theory and Hofstede's (1984)cultural theory, which refers to Egypt as a collectivist society where all members consider themselves one family, closely linked through a tight social framework. Consequently, there is a high level of loyalty among individuals and an increased intention to aid each other. This leads individuals to follow the ethical utilitarian philosophy. Hence, they perceive an activity, such as the intervention of the FRs, as an ethical action only when it results in maximising the good consequences and betterment for everyone involved, namely the firm (e.g., enhancing the firm's market value and decreasing the capital costs), executives (e.g., high professional reputation and psychological satisfaction), and other stakeholders (e.g., keeping employees' jobs and incomes). This result is consistent with Makhaiel & Sherer's (2017) findings and Degeorge et al.'s (1999) view that EM can "pave the way for a brighter future" and confirmed byArya et al. (2003), who argue that "a managed earnings stream can convey more information than an unmanaged earnings stream. A smooth car ride is not only comfortable, but it also reassures the passenger about the driver's expertise.". (p. 111, emphasis added).

It reflects McKee’s (2005) belief that moral behaviour is that one generates "the greatest good" consequences for everyone concerned and that the shoe-shining person is just putting the best foot forward.”. McKee (2005) also takes the view that no EM is an optimal solution; some EM is desirable, expected, and should exist in capital markets to create a better capital market. Furthermore, the findings show that the C-suit’s demographic features are dominated and submissive by their utilitarian ethical orientation, which is formed within Egyptian collectivist society.

Conclusion

This research concludes that the use of the observable demographic characteristics of TMT can be the best way to predict earnings quality, one of the firms’ outcomes. It was found that experience and older age have a negative effect on earnings quality; however, education has a neutral effect. Moreover, the results suggest that no feature stands alone when thinking about managerial behavior regarding EM. In addition, this study supports the impact of TMT’s ethnicity on their ethical orientation as another normative motivator affecting earnings quality.

This survey has several contributions to the accounting literature. It supports the theory advocating that low-quality financial disclosure is not simply a matter of TMT’s economic incentives. Rather, it can result from a joint set of normative motivators, including demographic, geographical and cultural, and ethical traits, which have become necessary determinants of the quality of earnings. Current research refers to the importance of considering the quality of earnings as a multifaceted task, as there is no one normative characteristic that works in isolation from others; instead, there is a correlated and overlapping impact of TMT's multiple normative features on the way TMT interact in and react to a business environment which, in turn, influences the quality of the financial results. This study also identifies culture and ethics as the greatest explanatory powers for TMT’s choice of whether to manage earnings figures, holding that the intervention in FRs is rooted in the TMT’s ethical interpretations of the consequences of this action as a function of their cultural values. Moreover, it advances the understanding of UE theory by choosing Egypt as the context of the present research, which is facing scarce research in this area and differs from U.S. political and economic settings.

The findings can have useful and practical implications for policymakers and regulators; conceptualising the relationship between the transparency of FRs and TMT’s normative profile in a certain context could be relevant to the ongoing improvement of the corporate governance rules, which leads to the reliability of financial reporting. Also, taking this relationship into stakeholders’ accounts could ensure a more effective and accurate evaluation of a firm. Another practical implication of the results of the research is that for global markets and firms, adopting the findings in practice can improve the structure of TMT by recruiting a management team whose demographics are associated with high-quality FRs. This could lead to diminishing the problem of the lower credibility and transparency of financial statements, which in turn results in lower capital costs for firms and significant protection to the existence of global capital markets and enhancement of their efficiency. This conclusion, therefore, could be helpful for the International Federation of Accountants (IFAC) and International Accounting Standards Boards (IASB), those playing an active role in accounting education, to issue education standards that refer to professional ethics, values, and attitudes suitable for certain cultures. The findings can also guide the accounting profession by providing early warning signals that TMT demographic features and ethical perceptions are associated with low quality of FRs within a particular setting, leading to practically dealing with such challenges in this concerning context. Finally, this research can provide scholars with a new approach concerning the effect of cultural dimension on TMT’s ethics and demographic features as a point that should be included in future studies.

This research is not without limitations. First, this investigation uses a few characteristics of TMT. Future research may be able to explore other characteristics expected to influence TMT decisions related to earnings quality. Another limitation is that the research is conducted based only on a sample of thirty-three managers from different management posts and various fields. This opens areas for further research to include other fields, such as the banking and financial sector. The third limitation is related to the generalisation of the research’s findings. The research is constrained to firms located in Egypt; consequently, the findings may not be equally applicable to other settings. Accordingly, further studies are needed to scrutinise the effect of other cultures on managers’ ethical perceptions regarding falsifying the FRs. Further research is also needed to look into the influence of other dimensions, such as economic situations and firm characteristics - e.g., corporate governance and ownership- on TMT characteristics and to discuss how these characteristics influence the suitableness of financial reporting. Finally, this study uses an interpretive approach. More investigations can employ other methodological approaches to examine the same phenomenon.

Data Availability

The data generated and analysed during the current study are not publicly available due to the research topic. This topic represents the views of C-Suite about managing their earnings and the effect of their demographic characteristics and ethical background on their attitudes and activity. It is critical not to mention the names of the participants or their firms' detailed information. To the extent that participant-identifying information was replaced with pseudonymous, or fictional, identifiers by the researcher. However, data are available from the corresponding author when it is necessary to be discovered and on reasonable request. As no dataset was generated during the current study, the data were collected in person and analysed manually. At the same time, data reflecting interviewees' responses were included in the results section of this manuscript in the form of quotations.

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Conflicts of Interest

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