PROPENSITY TO EARNINGS MANAGEMENT IN FAMILY AND NON-FAMILY FIRMS

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ABSTRACT

This study analyzed the incentives and propensity for Earnings Management (GR) in family and non-family businesses. Descriptive research was carried out by means of a survey and a quantitative approach to the data. The study sample corresponded to 182 accountants from family and non-family businesses. The results showed that similar EM techniques are performed by family and non-family businesses, as well as that different incentives drive the use of such techniques. It is inferred that family businesses are less prone to EM. The findings also reveal that economic activity and tax incentives are related to the propensity for GR. The study contributes by demonstrating that companies perform EM techniques, which are motivated by different incentives. These results reveal the need to create norms to reduce such practices and increase the quality of accounting information. In addition, by demonstrating that family businesses are less prone to earnings management, it is shown that company ownership can be an explanatory factor for increasing the quality of accounting information.

Keywords: Earnings management. Family businesses. Non-family businesses. Incentives for earnings management.

PROPENSÃO AO GERENCIAMENTO DE RESULTADOS EM EMPRESAS FAMILIARES E NÃO FAMILIARES

RESUMO

Este estudo analisou os incentivos e a propensão ao Gerenciamento de Resultados (GR) em empresas familiares e não familiares. Pesquisa descritiva, foi

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realizada por meio de levantamento e abordagem quantitativa dos dados. A amostra do estudo correspondeu a 182 contadores de empresas familiares e não familiares. Os resultados demonstraram que técnicas semelhantes de GR são realizadas pelas empresas familiares e não familiares, bem como diferentes incentivos impulsionam a utilização de tais técnicas. Infere-se que as empresas familiares estão menos propensas ao GR. Os achados também revelam que a atividade econômica e os incentivos fiscais estão relacionados à propensão ao GR. O estudo contribui ao demostrar que empresas realizam técnicas de GR, as quais são motivadas por diferentes incentivos. Esses resultados revelam a necessidade de criação de normatizações para a redução de tais práticas e aumento da qualidade da informação contábil. Além disso, ao demonstrar que empresas familiares apresentam menor propensão ao gerenciamento de resultados, demonstra-se que a propriedade da empresa pode ser um fator explicativo para o aumento da qualidade da informação.

Palavras-Chave: Gerenciamento de resultados. Empresas familiares. Empresas não familiares. Incentivos ao gerenciamento de resultados.

1 INTRODUCTION

The aim of the study is to analyze the incentives and propensity for GR in family and non-family businesses. The accounting environment is often characterized by complex and often ambiguously defined rules and procedures that allow managers to make choices that best match the company's accounting facts (Crossland & Hambrick, 2007). Theoretical evidence suggests that managers influence earnings management (EM) decisions and practices (Skaerbaek & Tryggestad, 2010). Still, for Ramírez-Orellana et al. (2017) and Borralho, Vázquez, and Hernández-Linares (2020), the concentration of ownership of companies (non-family or family) can influence companies' disclosure practices and EM.

The family business is concentrated on family members (La Porta, López-de Silanes & Shleifer, 1999), reducing the traditional problem of agency (Ali, Chen & Radhakrishnan, 2007; Fama & Jensen, 1983; Jensen & Meckling, 1976). However, other agency problems can occur in family businesses (Singla, Veliyath, & George, 2014), in which the dominant family owner can extract the company's wealth at the expense of minority shareholders (Miller & Le Breton-Miller, 2006), managing the results for self-interest (Fan & Wong, 2002). In addition, family members may be less willing to supervise the activity of other members for reasons that mainly reflect emotional ties (Pieper, 2010), which gives managers freedom to choose different EM techniques.

On the other hand, family business managers are not interested in short-term benefits because they keep their roles for long periods and are interested in defending the family name and reputation (Block & Wagner, 2014; Prencipe, Bar-Yosef, & Dekker, 2014), and therefore, are less likely to manage earnings (Ferramosca & Allegrini, 2018). In addition, during periods of low performance, managers have no motivation to increase earnings, because they are not afraid of losing their job and the family has confidence in their management (Ferramosca & Allegrini, 2018). In addition, the family plays a key role in the development of the human capital of its members, investing in education, transmitting values, and developing the skills necessary to control opportunistic behaviors (Ferramosca & Allegrini, 2018).

Studies suggest that EM techniques are mainly derived from incentives (Burgstahler, Hail, & Leuz, 2006; Dechow, Ge, & Schrand, 2010; Bhatti et al. 2021). Bhatti et al. (2021), Chi, Hung, Cheng, and Lieu (2015), and Noronha, Zen, and Vinten (2008) highlight that companies have different incentives and techniques for the practice of EM. According to the literature, the researchers tested and summarized four main types of incentives for EM: external contract incentives, management compensation contract incentives, regulatory motivations, and capital market motivations.

Healy (1985) and Lambert (1984) were the first to highlight the relevance of GR. Since then, researchers have analyzed this question. Some detected EM (Dechow, Sloan, and Sweeney, 1995; Jones, 1991; Peasnell, Pope, & Young, 2000), others focused on its incentives (Dechow et al., 1995; Healy & Wahlen, 1999; Roychowdhury, 2006). However, recent research efforts are seeking to understand EM propensity in different organizational settings (Gim, Choi, & Jang, 2019).

Studies have explored EM in family business environments, with inconclusive results, as family businesses have been associated with minors (Bansal, 2021, Ferramosca and Allegrini (2018); Block and Wagner (2014); Prencipe Bar-Yosef and Dekker (2014); Ali et al., 2007) and larger (Chi et al., 2015; Razzaque, Ali, and Mather, 2016; Salehi, Hoshmand, and Ranjbar, 2019; Paiva et al., 2020) RM practices. Furthermore, the association between family businesses and EM has been widely explored in relation to publicly traded companies, while private family businesses have received little attention (Gim et al., 2019; Kvaal, Langli, & Abdolmohammadi, 2012; Paiva, Lourenço, & Short Days, 2019).

It is also noteworthy that previous research on family businesses and GR did not take into account the propensity for GR and the incentives for its practice. For these reasons, much remains to be explored about the quality of financial reporting in family businesses (Ferramosca & Allegrini, 2018; Songini, Gnan, & Malmi, 2013; Prencipe et al., 2014; Eng et al., 2019).

The emergence of accounting scandals in recent years, along with ongoing cases of corruption, account falsification, and illegal financing, has led to greater scrutiny of EM practices (Abdullah & Ismail, 2016). Although such practices have been studied by academics and professionals in recent decades (Healy & Wahlen, 1999; Burgstahler et al., 2006; Dechow & Dichev, 2002), research in the context of family businesses is still incipient in terms of practices adopted for earnings management and what the incentives are for doing so.

This article contributes to the literature on the ownership of family and non-family businesses and the GR, seeking to identify the incentives of companies to carry out the GR. According to Zahra, Priem, and Rasheed (2005) and Xie, Chang, and Shiue (2022), the consequences of these behaviors affect investors, employees, customers, and local communities, eventually reflecting on corporate reputation. It is important for the investor to understand whether the quality of earnings differs depending on the ownership structure.

The study also contributes by investigating EM practices in privately held companies and limited liability companies. For Jacoby, Lie, and Liu (2019), there is a gap in the literature for research on EM in such companies, despite the significant role they play in economic growth and job creation.

2 INCENTIVES AND BACKGROUND OF EARNINGS MANAGEMENT IN FAMILY BUSINESSES

Recognizing the growing concerns about EM, the literature has focused on identifying managerial incentives for the practice of EM (Gim et al. 2019). A number of reasons include raising capital (Healy & Wahlen, 1999; Dechow et al., 1995), avoiding breaches of debt obligations (DeFond & Jiambalvo, 1994), and managers seeking personal gain, such as an increase in pay (Gaver, Gaver & Austin, 1995, Bhatti et al., 2021).

However, studies on the incentives for the practice of RG do not present consensual results. As stated by Bhatti et al. (2021), Noronha et al. (2008), and Healy and Wahlen (1999), managers manage earnings for four types of incentives, namely, external contract incentives, management compensation contract incentives, regulatory motivations, and capital market motivations.

With regard to incentives outside the contract, managers want to avoid breaches of restrictive clauses that could increase financial costs (Healy & Wahlen, 1999; DeFond & Jiambalvo, 1994). In addition, earnings management is also used to facilitate loan approval and benefit from a lower cost of debt (Kacharava, 2016).

Watts and Zimmerman (1986) stated that managers have incentives to evidence future earnings for the current accounting period when a bonus plan exists. Furthermore, managers, to increase their compensation, can use specific accounting procedures to manage earnings (Healy & Wahlen, 1999; Schipper, 1989; Healy, 1985).

The close relationship between accounting and taxation makes professionals see regulatory policies as incentives for the practice of EM (Ball, Kothari & Robin, 2000). Fiscal policy encourages EM in some situations (Formigoni, Antunes, & Paulo, 2009; Noronha et al., 2008). Marques, Rodrigues, and Craig (2011) demonstrate that companies with higher income tax rates are more likely to develop EM practices (Pereira & Alves, 2017). In addition, EM can be used to avoid or reduce labor lawsuit costs (Dutzi & Rausch, 2016), comply with government guidelines (Dutzi & Rausch, 2016), respond to new environmental policies, and provide legal protection for investors (Leuz, 2016). Nanda & Wysocki, 2003). Finally, EM can be used to increase some regulatory benefits, whether from government or industry (Lisboa, 2016; Healy & Wahlen, 1999).

Although several different motives that drive managers' EM behaviors have been identified, the incentive to positively influence capital market expectations and access to capital with lower transaction costs was recognized as the most compelling (Dechow et al., 1995; Healy & Wahlen, 1999). For Burgstahler et al. (2006), external financing in capital markets creates a demand for useful information to evaluate and monitor the company. Investors rely heavily on information such as financial statements and reported earnings. Also, Erickson and Wang (1999) and Healy and Wahlen (1999) point out that one of the reasons for the company to engage in EM is to influence the stock price, especially to increase market liquidity.

With regard to earnings management, Lisboa (2016) presents it as a strategy by managers to change the company's report in order to achieve a certain objective, due to several and different reasons. However, given that the primary purpose of financial statements is to communicate financial information to external stakeholders in a timely and reliable manner (FASB, 1984), abusing accounting flexibility with the intention of manipulating reported earnings can be a potential threat to the quality of accounting information (Kacharava, 2016).

According to Noronha et al. (2008), managers use different EM techniques. Dechow and Skinner (2000) point out that the main focus of EM is not only on EM activities based on accounting principles and rules, referring to the timing and recognition of revenues and expenses. EM can also include operating activities that deal with voluntary business decisions, such as lowering prices when sales are delayed (Schipper, 1989), or the timing of business decisions, such as delaying or accelerating discretionary spending. Also, to increase short-term earnings, managers can choose an accounting policy that allows costs to be capitalized rather than being recognized in profit or loss immediately. This can delay expense recognition, thus improving current earnings in a company's financial report.

Previous studies emphasize that EM practice differs depending on whether the company is family-owned or not (Salvato & Moores, 2010). Family businesses are negatively associated with financial reporting quality, measured in terms of lower earnings informativeness (Ding, Qu, & Zhuang, 2011), higher use of discretionary accruals (Chi et al., 2015), and EM for real activities (Razzaque et al., 2016). The financial information of family businesses is less transparent and information asymmetry is greater, decreasing the quality of their reports (Cascino, Pugliese, Mussolino & Sansone, 2010; Wang, 2006).

On the other hand, Siregar and Utama (2008) suggested that family firms were more likely to adopt efficient EM practices to convey information, rather than opportunistic practices. Greco, Ferramosca and Allegrini (2015) provided evidence that family firms were less likely to use long-term asset retirement for EM purposes. The closer relationships between executives and the controlling family (Brunello, Graziano and Parigi, 2003; Miller and Le Breton-Miller, 2006) and the long-term investment horizon (Anderson, Mansi, & Reeb, 2003) make family companies less sensitive to short-term fluctuations in financial markets (Prencipe et al. 2014). Therefore, in general, this research assumes that family businesses are less prone to EM.

H1: Family businesses are less prone to earnings management.

In this way, the relationship tested in the hypothesis raised in this study contributes to a better understanding of earnings management practices and their incentives in family and non-family businesses. Noronha et al. (2008), Ding, Qu and Zhuang (2011), Ferramosca and Allegrini (2018) and Eng et al. (2019) identified a relationship between business ownership (family and non-family) and earnings management and its incentives. Firm ownership is a key determinant of the informational characteristics of accounting reports.

3 RESEARCH METHOD AND PROCEDURES

A descriptive study with a quantitative approach was carried out through survey research. The approach of this research is quantitative in nature. The survey research was carried out using a questionnaire sent to the accountants of the companies that make up the research sample.

The research instrument adopted for data collection was developed with objective questions, considering the variables analyzed in the study. The research instrument was composed of three parts to identify the dependent variable and the independent and control variables. The first aimed to identify the dependent Variable - companies' propensity to practice earnings management - by evaluating ten EM techniques. The second aimed to verify the independent variables, incentives that lead to earnings management practices, and the classification of companies as family and non-family businesses. Finally, the third part sought to identify which control variables may interfere with earnings management practices. For each of the variables exposed in the three parts of the questionnaire, the respondent (accountant) was asked to give an opinion according to the scale.

Table 1 presents the variables used and their operational definition. Initially, the instruments used for data collection were translated and back-translated, the original questionnaire was translated into Portuguese, and then back-translated into English. The pre-test was carried out by applying the research instrument, sent via e-mail, to three PhD researchers with experience in accounting. The purpose of the pre-test was explained and their participation and collaboration were requested, so that each item of the proposed data collection instrument was evaluated.

The analyzed sample is characterized as non-probabilistic, intentional, and obtained by accessibility, and it had the participation of accountants from different family and non-family businesses based in Brazil. The professional accountant was chosen, because he assumes different positions in different companies, which makes him a strategic piece within organizations, as he is the professional who has excellence in the accounting information generated, in addition to being the professional responsible for financial accounting. of an organization.

To define the sample, the help of groups on Linkedin was used. After identifying the professionals who work as accountants, an invitation was initially sent through the Linkedin business network to professionals registered there. Upon receipt of the invitation from the professional, the questionnaire link was sent, prepared in Google Docs. A total of 1,968 invitations were sent, and of these, 612 accepted to respond to the research instrument, finally obtaining 182 valid questionnaires for carrying out the research. 101 family businesses and 81 non-family businesses.

Table 1
Research Variables and Operational Definition

Variables		Questions	Scale	Operational definition	Authors
Dependent Variable					
Propensity to Earning Management	PE01 PE02	Inventory provision adjustments. Adjustments to accounts receivable or allowance for doubtful accounts (increase or decrease in allowance expense).	*Likert* Five Points (Never) to (Always)	Evaluate the different EM techniques	Adapted from Noronha et al. (2008)

	PE03	Adjust administrative expenses (discretionary expenses and directors' salaries).			and Baralexis (2004)
	PE04	Adjustments to the recognition of interest on loans.			
	PE05	Adjustment of operating income (advance or anticipation of recognition time).			
	PE06	Adjust promotional expenses and advertising expenses.			
	PE07	Counterpart of adjustment to the fair value of financial instruments recognized in the result or in Shareholders' Equity.			
	PE08	Change the depreciation method (linear method for decreasing shares or other model).			
	PE09	Adjustments to investment operations (fair value or equity method).			
	PE10	Activate or enter research/development expenses as expenses.			
		Independent Variables			
Incentives for Earnings Management	IE01	Increase the amount of directors' compensation	*Likert* Five Points (Strongly Disagree) and (I fully agree*)*	Incentives perceived by the company for the practice of EM	Adapted from Noronha et al. (2008) and Salim (2012)
	IE02	Maintain stable dividends			
	IE03	Report a reasonable profit and avoid losses			
	IE04	Increase investor confidence			
	IE05	Get bank loan			
	IE06	Gain position and reputation in the business market			
	IE07	Meet stock market expectations			
	IE08	Keep performance stable			
Family Businesses	FB NFB	Family Business Non-Family Business	1 family businesses and 0 non-family businesses	Characteriz ation of companies	Ding, Qu and Zhuang (2011); Salvato and Moores (2010)
		Control Variables			
Economic Activity	EA01 EA02	National Company Multinational Company	1 national company and 0 multinatio nal	Classificatio n of the company in national and multination al	Grecco, Formigoni, Geron and Segura (2013).
Capital	CA01 CA02 CA03	Open Closed Limited Society	1 - Open 2 - Closed 3 - Limited Society	Economic classificatio n of the company	Rezende e Nakao (2012)
Tax Framework	TF	Real Profit Presumed Profit Simple National	1 - Real Profit 2 - Presumed Profit 3 - Simple National	Corporate tax framework	Rezende and Nakao (2012); Ball et al. (2000);

					Noronha et al. (2008)
Tax Incentive	TI	Has any tax incentive	1 company with tax incentive and 0 otherwise	Check if the company has any tax incentives	Formigoni, Antune and Paulo (2009)
Time of Existence	TE	Up to 10 years Between 11 to 50 years More than 50 years	1- Up to 10 years 2 - 11 to 50 years 3 - More than 50 years	Time of existence of the company	Noronha et al. (2008)

Source: prepared by the authors.

After data collection, Cronbach's Alpha test was performed to estimate the reliability of the questionnaire. The independent sample t-test was performed on the two groups (family and non-family businesses) to see if they were significantly different. In order to weigh the constructs of the propensity to GR (PG) and the incentives to GR (IG) in family and non-family businesses, entropy was used to measure the weight that each variable has in the set, enabling the execution of the multi-criteria method TOPSIS and, thus, forming a ranking between EM techniques and management incentives most used by family and non-family businesses.

In order to verify the relationship between the propensity to EM with the classification of companies (family and non-family), a censored Poisson regression was used, controlling the fixed effects by sector, using the Statistics Data Analysis software (Stata® 13.0). Poisson regression GetPremium was used, as the dependent variable (propensity to GR) intends to express the degree of agreement or disagreement, in this study as evaluated in the ten questions about propensity to GR.

To determine the propensity to manage earnings, counting techniques used by accountants were used. For this, responses were analyzed with the scale, which was almost always (4) and always (5). That is, the management propensity corresponds to the sum of the techniques that the accountants indicated as almost always and always.

Regarding the dependent variable incentives for GR, according to Paulo, Martins, and Corrar (2007), managers do so through different incentives. Walker (2013) identified three general sets of incentives that encourage the use of discretion in accounting choices. The classification was performed to achieve contractual terms or goals related to financial reporting, to influence external investors and/or financial intermediaries in the formation of expectations about the firm's cash flows and/or risk perception, and to make a set of information available to external parties. (Walker, 2013; Martinez, 2013).

Regarding the control variables, due to the globalization process, multinational companies spread into different sectors of the economy, implying the need for better quality accounting information (Manzano & Conesa, 2005). With regard to public, private, and limited companies, Coelho and Lima (2009) evaluated earnings management in public and private companies and demonstrated that, in Brazil, EM occurred in publicly traded companies to show better performance to the market.

According to Rezende and Nakao (2012), the tax framework can be a factor in the company's decision to opt for GR, as it can impact the company's payment of taxes. Finally, for Gu, Lee, and Rosett (2005), the age of the company is a factor that can impact earnings management, as companies with longer experience tend to have a more solid state of financial and operational performance.

Equation 1 was used to assess the propensity to manage earnings in family businesses. Then, in Equation 2, the relationship between the earnings management propensity, incentives, and family businesses was verified. For both equations (Equation 1 and 2), Poisson modeling was used, as the dependent variable consists of count data.

Thus, the empirical model is presented in Equations 1 and 2. In Equation 1, the model used for the relationship between family businesses and the propensity to manage earnings is presented. In Equation 2, the effects of family businesses, incentives to earnings management, and control variables on the propensity to earnings management were estimated.

$$PG_{it} = \beta_0 + \beta_1 EF_{it} + i.setor + \varepsilon$$

Equation 1

$$PG_{it} = \beta_0 + \beta_1 EF_{it} + \beta_2 IG01_{it} + \beta_3 IG02_{it} + \beta_4 IG03_{it} + \beta_5 IG04_{it} + \beta_6 IG05_{it} + \beta_7 IG06_{it} + \beta_8 IG07_{it} + \beta_9 IG08_{it} + \beta_{10} VC + i.setor + \varepsilon$$

Equation 2

Onde:
PE = Propensity to Earning Management;
FB = Dummy for Family and Non-Family Businesses;
IE01 = Incentives for Earnings Management (Increase the amount of directors' compensation); IE02 = Incentives for Earnings Management (Maintain stable dividends);
IE03 = Incentives for Earnings Management (Report a reasonable profit and avoid losses);
IE04 = Incentives for Earnings Management (Increase investor confidence);
IE05 = Incentives for Earnings Management (Get bank loan);
IE06 = Incentives for Earnings Management (Gain position and reputation in the business market);
IE07 = Incentives for Earnings Management (Meet stock market expectations);
IE08 = Incentives for Earnings Management (Keep performance stable)
CV = Control Variables (economic activity, capital, tax framework, tax incentive and lifetime)
ε = Regression Error.

Equations 1 and 2 were run and analyzed by separating the samples into family and non-family businesses. Equation 1 was analyzed only between the earnings management propensity (PG) and the dummy, 1 for family businesses and 0 for non-family businesses.Equation 2 was run and analyzed with the PG and the dummy (family and non-family businesses), adding the variables of incentive to earnings management and the control variables, to identify the behavior of earnings management through different incentives.

Some studies point out that family businesses produce better financial reports, using lower discretionary accruals (Eng, Fang, Tian, Yu, & Zhang, 2019; Cascino et al., 2010; Jiraporn & DaDalt, 2009; Ali et al, 2007), greater informativeness of earnings and ability to anticipate future cash flows, as well as higher earnings response coefficients (Ali et al., 2007). Therefore, we expect a negative effect on earnings management practices in family businesses.

4 PRESENTATION AND ANALYSIS OF RESULTS

4.1 Exploratory Data Analysis

The research comprised 182 accountants from family and non-family businesses from different organizations based in Brazil. Of these, 101 were classified as family businesses and 81 as non-family businesses. The companies that compose the analyzed sample are distributed in three economic activities: industries (36.27%), commerce (12.08%), and service providers (51.64%). It was also noticed that a predominance (51.21%) of companies presented annual revenues of more than five million reais. Regarding the number of employees, 89 companies have up to 100 employees, 38 have up to 1,000, and there are still 55 companies with more than 1,000 employees.

Table 2 (Panel A), initially, shows the distribution of companies according to family and non-family classifications. Then, the descriptive analysis of the results is demonstrated, such as the evaluation of the mean and standard deviation, followed by the test of means and TOPSYS (ranking test) of each construct.

Still in Table 2, it is noted that the t test results are insignificant. This indicates that the propensity to EM for the two samples (family and non-family businesses) does not present significant differences, such results may be motivated by the difference between the number of family and non-family businesses, which constitutes a limitation of the article.

In regard to the GR techniques used by family and non-family businesses, it appears that the techniques of making adjustments in accounts' receivable or in the provision for doubtful accounts (increase or decrease in provision expense) (PG 02) and adjusting administrative expenses (expenses discretionary policies and directors' salaries) (PG 03) are the most commonly used, regardless of whether the company is family-owned or not.

Table 2
Descriptive statistics, ranking and test of means

Panel A - Descriptive statistics of the PE and FB constructs									
Variable	**Ind.**	**Family Businesses (101)**			**Non-Family Businesses (81)**			**T Test**	
		Mean	**SD**	***Ranking***	**Mean**	**SD**	***Ranking***	**t**	***p-value***
	PE01	2,77	1,30	4°	2,27	1,27	9°	1,40	0,081
	PE02	3,09	1,28	1°	3,50	1,20	1°	-1,09	0,861

Propensity to Earning Management	PE03	2,91	1,28	2º	3,11	1,18	2º	-0,36	0,643
	PE04	2,85	1,44	3º	3,05	1,34	3º	-0,44	0,669
	PE05	2,50	1,38	8º	2,88	1,32	5º	-1,24	0,891
	PE06	2,63	1,39	5º	2,55	1,14	6º	0,30	0,381
	PE07	2,35	1,33	9º	2,44	1,09	8º	-0,11	0,544
	PE08	2,13	1,34	10º	1,77	1,00	10º	1,17	0,121
	PE09	2,50	1,45	6º	2,50	1,04	7º	0,17	0,431
	PE10	2,51	1,40	7º	3,16	1,09	4º	-1,92	0,971
ANOVA: *F* = 1,74, df = 81, *p* = 0,051.									
Incentives for Income Management	IE01	3,09	1,26	7º	3,22	1,21	7º	-0,25	0,600
	IE02	3,59	1,18	5º	3,50	0,92	5º	0,27	0,392
	IE03	3,58	1,38	4º	3,88	1,33	6º	0,43	0,333
	IE04	4,17	1,26	2º	4,11	1,23	2º	0,33	0,367
	IE05	3,01	1,20	8º	3,00	1,08	8º	-0,61	0,730
	IE06	3,99	1,25	3º	4,11	1,07	1º	-0,54	0,705
	IE07	3,36	1,46	6º	3,77	1,00	4º	-1,17	0,878
	IE08	4,05	1,11	1º	3,88	1,07	3º	0,75	0,226
ANOVA: *F* = 0,99, df = 81, *p* = 0,502.									

Variables	**Panel B - Descriptive statistics of dichotomous variables**		
	Category	**Comments**	**Frequency**
FB	1	101	55,49
	0	81	44,51
EA	1	146	80,22
	0	36	19,78
CA	1	47	25,82
	2	48	26,38
	3	87	47,80
TF	1	124	68,13
	2	17	9,34
	3	41	22,53
TI	1	81	44,51
	0	101	55,49
TE	1	31	17,03
	2	97	53,30
	3	54	29,67

Legenda: SD. Standard Deviation; PE. Propensity to Earning Management; IE. Incentives for Income Management; FB. Dummy for Family and Non-Family Businesses; EA. Economic activity; CA. Capital; TF. Tax Framework; TI. Tax Incentive: TE. Company Existence Time. Source: survey data.

In addition, it appears that the least used technique was to change the depreciation method (linear method for decreasing shares or another model) (PG 08), which is in agreement with Noronha et al. (2008), who highlight that this technique can be very complicated or the effect can be very small in magnitude, which explains its low use.

With regard to incentives to GR, as perceived by the propensity to GR, the results of the t test indicate that there is no difference between family and non-family businesses. However, when evaluating the ranking, the main incentive for EM in family businesses is to maintain stable performance, while in non-family businesses, it is to obtain position and reputation in the business market. Such a result may indicate that family businesses have a tendency to manage earnings to maintain the company's performance and continuity, preserving the family's assets.

In general, companies, family-owned or not, prefer to employ simple forms of EM. Techniques are straightforward and effective, such as adjusting accounts receivable, adjusting administrative expenses, and adjusting interest on loan recognition, to report more compelling financial reports.

In Panel B (Table 2) it can be seen that the highest concentration of the sample corresponds to family businesses (55.49% of the sample). Of the companies analyzed, 80.22% correspond to national companies, 47.80% are limited liability companies, 68.13% are Real Profit companies, and 55.49% are companies without tax incentives. Still, in terms of time of existence, 53.30% of the companies analyzed are between 11 and 50 years old, and 29.67% have more than 50 years of existence.

Table 3 shows a correlation between the variables analyzed in the study.

Table 3
Pearson's correlation between the variables

V	PE	IE1	IE2	IE3	IE4	IE5	IE6	IE7	IE8	CA	EA	TE
PE	1											
IE1	0,11	1										
IE2	0,16*	0,30*	1									
IE3	0,31*	0,36*	0,34*	1								
IE4	0,24*	0,23*	0,25*	0,26*	1							
IE5	0,11	0,18*	0,20*	0,26*	0,30*	1						
IE6	0,13*	0,26*	0,36*	0,24*	0,61*	0,36*	1					
IE7	0,21*	0,16*	0,22*	0,15*	0,56*	0,26*	0,57*	1				
IE8	0,19*	0,15*	0,32*	0,31*	0,52*	0,22*	0,51*	0,42*	1			
CA	-0,06	0,13	0,04	0,02	-0,16*	-0,04	0,00*	-0,15*	-0,09	1		
EA	-0,07	0,20*	0,20*	-0,01	-0,06	-0,00	0,01	0,00	0,00	0,50*	1	
TE	0,10	-0,20*	-0,07	-0,06	0,08	-0,01	0,01	0,06	0,00	-0,60*	-0,64*	1

Legend: PE. Propensity to Earning Management; IE. Incentives for Income Management; CA. Capital; EA. Economic activity; TE. Company Existence Time. Notes: Significance levels: * p<0.01 to p<0.05. Source: Prepared by the authors.

Regarding Pearson's Correlation between the variables shown in Table 3, the existence of a correlation between the variables can be seen. Propensity to manage earnings (PG) has a positive correlation with incentives, which indicates the link between incentives and earnings management practices. Still, a correction is perceived between the incentives between the practices of earnings management.

With regard to incentives, a positive and significant correlation can be seen with the tax framework of the analyzed companies. However, with the incentives, they present a positive and negative correlation with the company's capital.

The results presented in Pearson's correlation demonstrate the low correlation between the variables analyzed in the research, which justifies the use of regression, as shown in Table 4.

4.2 Results of Factors Affecting Propensity to Earning Management

To carry out the hypothesis test, on the propensity to GR and family businesses, Poisson regression was performed, censored. The results of these tests are shown in Table 4.

Table 4 shows that family businesses have a negative relationship (-0.5010; p< 0.05) with the propensity to GR (Equation 1). Furthermore, it can be seen in Equation 2, in which incentives and control variables were inserted, that family businesses are still less likely to manage earnings (-0.4945; p<0.01). Thus, such evidence confirms the research hypothesis H1.

In practical terms, these results indicate that family businesses show a reduction of -16.64% (-0.5010/3.01) in their propensity to GR according to its isolated effect, or 16.42% (-0.4945/3.01) of propensity to GR when considering the variables of incentive and control.

It appears from these results (Poisson regression) that family businesses are less prone to earnings management, which converges with studies by Bansal (2021), Ferramosca and Allegrini (2018), Block and Wagner (2014) and Prencipe Bar -Yosef and Dekker (2014), who point out that family business managers are interested in defending the family's name and reputation and, therefore, are less likely to manage results.

Also, as pointed out by Ferramosca and Allegrini (2018), when a family business has periods of low performance, managers may not be motivated to increase earnings because they are not afraid of losing their job, as the family has confidence in their management. The study also converges with what was demonstrated by Ferramosca and Allegrini (2018) in which family businesses invest in intellectual capital, and seek to preserve values and develop skills to control opportunistic behaviors of their managers.

A positive and significant relationship can be seen between the incentive to increase the amount of administrators' compensation (0.1247; p<0.05) and the propensity to manage earnings. Thus, these results confirm previous findings in which executive compensation is a significant incentive for earnings management practices Healy and Wahlen (1999), Schipper (1989), Healy (1985), Noronha et al. (2008) and Gaver et al. (1995).

According to Martinez (2013), among the motivations for the practice of earnings management, managers' concern with their remuneration contracts stands out, which can be seen in the results of this study. In the same sense, Cunha and Piccoli (2016) demonstrate that compensation positively influences the propensity to manage earnings through accounting choices.

Table 4
Regression Result

Dependent Variables: PE	Expected Signal	Equation 1		Equation 2	
		Coef.	T Test	Coef.	T Test
Const.	+/-	0,8825***	3,99	-0,3342	-0,57
EF	-	-0,5010**	-2,04	-0,4945***	-3,03
IE01	+			0,1247**	2,14
IE02	+			0,3106***	4,54
IE03	+			0,1750***	3,32
IE04	+			0,0738	1,00
IE05	+			0,0675	0,97
IE06	+			0,1791**	0,94
IE07	+			0,067***	3,05
IE08	+			0,0937	0,91
EA	+			1,2031***	4,96
CA	+/-			0,4569***	1,64
TF	-			0,1000	0,70
TI	-			0,9686***	5,04

TE	-		0,1228	0,57
Fixed Effect Sector	Yes		Yes	
Test Goodness-of-fit	0,000		0,000	
AIC	296,97		250,92	
BIC	309,00		294,24	
Log. pseudo-likelihood	-143,48		-107,46	
Sig. of model	0,000		0,000	
N.	182		182	

Legenda: PE. Propensity to Earning Management; IE. Incentives for Income Management; FB. Dummy for Family and Non-Family Businesses; EA. Economic activity; CA. Capital; TF. Tax Framework; TI. Tax Incentive: TE. Company Existence Time. N. Number of Observations. Notes: Significance levels: * p<0.1, ** p<0.05, *** p<0.01. Source: Prepared by the authors.

Furthermore, it appears that the incentive to GR to maintain stable dividends (IG02) has a positive relationship (0.310; p<0.01) with the propensity to GR. This indicates that companies tend to practice earnings management in order to present stable dividends to their shareholders, as proposed by Noronha et al. (2008). Kasanen and Kinnuanen (1996) identify that companies use earnings management to present regular flows of dividends to their shareholders. It is also verified that the incentives for earnings management, reporting a reasonable profit and avoiding losses (IG03) (0.175; p<0.01), obtaining position and reputation in the business market (IG06) (0.1791; p<0.05) and meeting stock market expectations (IG07) (0.067; p<0.01) are related to the propensity to GR. Thus, it can be inferred that in order to report a reasonable profit and avoid losses, increase investor confidence and meet stock market expectations are factors that lead companies to engage in EM practices.

The results in Table 4, in general, show that different incentives perceived by managers have an effect on the different earnings management techniques used by family and non-family businesses, such results converge with studies by (Gim et al., 2019; Noronha et al., 2008; Healy & Wahlen, 1999; DeFond & Jiambalvo, 1994).

The economic activity (national or international) of the company showed a positive relationship (1.2031; p< 0.01) with the propensity to manage earnings. This result indicates that multinational companies tend to be less prone to earnings management, probably because they have greater controls and processes that minimize such behavior, as shown by Greco et al. (2015).

It can be seen that capital has a significant and positive relationship with the propensity to manage earnings (0.968; p<0.01). Thus, it is possible to infer that publicly traded companies would be less prone to earnings management. This may be due to the fact that publicly traded companies would be driven by the market not to resort to EM practices.

It appears that the tax incentive has a positive relationship (0.968; p<0.01) with the propensity to GR. This result demonstrates that companies that have tax incentives tend to use EM techniques more frequently, which corroborates the findings of the study by Noronha et al. (2008). A possible explanation would be the use of GR precisely to obtain or maintain such incentives, although this was not the object of investigation in this study, but may constitute a gap for future research.

Overall, the research findings corroborate previous research that family businesses are less prone to earnings management (Bansal, 2021; Ferramosca & Allegrini, 2018; Block & Wagner, 2014; Prencipe Bar-Yosef and Dekker, 2014; Ali et al. al., 2007). Still, with regard to incentives, earnings management practices, executive compensation, maintaining stable dividends, reporting a reasonable profit and avoiding losses, obtaining a position and reputation in the corporate market and meeting the expectations of the stock market were the ones that demonstrated evident, according to Gim et al. (2019), Noronha et al. (2008), Kasanen and Kinnuanen (1996) and Gaver et al. (1995).

5 CONCLUSION

The aim of the study is to analyze the incentives and propensity to GR in family and non-family businesses. In order to achieve the objective, the opinions of accountants from family and non-family businesses were surveyed on the incentives to manage earnings and the propensity to GR.

The study findings showed that there is no significant difference between the earnings management techniques used between family and non-family businesses, according to the construct ranking. Thus, based on the accountants' perception, it can be concluded that companies use similar EM techniques, regardless of whether they are family members or not.

With regard to the different EM techniques, it was noted that the most used is in the provision for bad debts (increase or decrease in provision expense), in both groups of companies. This finding reinforces what was observed by Noronha et al. (2008), which requires strict regulations on transactions between related parties and a clear presentation of accounts receivable, as well as provisions. Strict regulations cannot completely remove GR from the market, but they can likely reduce it and provide explicit evidence to detect and penalize such behavior.

Through the ranking of incentives, it was found that the main incentive for EM in family businesses is to maintain stable performance, while in non-family businesses, it can be highlighted to obtain position and reputation in the business market that non-family businesses are more concerned with market responses than family businesses, which may occur because non-family businesses are more exposed, mainly because they tend to be listed on B3 (Brasil, Bolsa, Balcão).

As a contribution, the study is based on the combination of the family business and earnings management practices, by enabling the identification of EM practices adopted by family and non-family businesses, as well as the incentives that make companies adopt earnings management, which allows stakeholders to reflect on the need for a specific tool to mitigate this practice. Furthermore, it will contribute to the literature on earnings management and family businesses by understanding which detailed aspects of EM and incentives to EM are practiced by family businesses.

As a limitation of the study, the accessibility analysis meant that only one target audience of accountants were analyzed, making it impossible to generalize the results. In addition, the probability of using the techniques employed by the companies was used as a proxy for the EM, instead of estimating the discretionary accruals or residuals of the EM models for operational decisions, which are more common in the literature.

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AUTHORS' CONTRIBUTIONS

Contributions	Micheli Aparecida Lunardi	Darclê Costa Silva Haussmann	Roberto Carlos Klann
1. Idealization and conception of the research subject and theme	✓	✓	✓
2. Definition of the research problem	✓	✓	✓
3. Development of Theoretical Platform	✓	✓	✓
4. Design of the research methodological approach	✓	✓	✓
5. Data collection	✓	✓	✓
6. Analyses and interpretations of collected data	✓	✓	
7. Research conclusions	✓	✓	✓
8. Critical review of the manuscript			✓
9. Final writing of the manuscript, according to the rules established by the Journal.	✓	✓	✓
10. Research supervision			✓