

# Firms recruit 'dark' personalities for earnings management

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Companies could be hiring that bad boss on purpose. According to new research in the *Journal of Business Ethics*, the 'dark' personality traits—questionable ethical standards, narcissistic tendencies—that

make a boss bad also make that person much more likely to go along with manipulating earnings and may be the reason they got the job in the first place.

Co-authors Nick Seybert (University of Maryland's Robert H. Smith School of Business), Ling Harris (University of Nebraska-Lincoln), Scott Jackson (University of South Carolina) and Joel Owens (Portland State University) studied the process of hiring executive management accounting candidates and its relation to the [company's](#) earnings management practices—that is, a company's tendency to inflate its income. Through several studies, they found that when a company needed to report earnings aggressively, experienced executives and recruiters tended to recommend hiring candidates with [dark personality traits](#) over candidates who sought input from others and believed in strong ethical foundations.

"Dark [personality](#) traits are often framed as an accidental byproduct of selecting managers who fit the stereotype of a strong leader," says Seybert, an accounting professor. "However, our research found that this is often no accident."

The research for "Recruiting Dark Personalities for Earnings Management" involved three experiments in which different actions were measured. In one experiment, for example, the participants were specifically asked to rate the candidates based on dimensions such as the candidate's ability to manage people and relationships. The only dimension in which candidates with dark personalities were rated higher than their counterparts was in manipulation of ethical boundaries.

"A lot of people assume that these managers must have great self-presentation, promotion, people skills, or confidence" Seybert says. "But our research shows otherwise."

The basic idea behind this research is that these dark personalities can fulfill a specific nefarious purpose, says Seybert. When companies feel as though they need to inflate their earnings, people with dark personalities are more likely to get placed into positions of power to do exactly that. This results in candidates with potentially better management, organizational, and people skills being passed over for management jobs.

Seybert and his colleagues' research is unique in that they recruited experienced executives and executive recruiters to evaluate the candidates in order to simulate the real business hiring environment.

"Very, very few prior studies involved people who have experience recruiting for prior jobs," says Seybert. "Our research involved a lot of time-consuming and creative searching to find the right participants."

Overall, Seybert says he hopes that this research will help candidates better evaluate companies during their job search. "The best takeaway for employees is to avoid companies that might have use for managers with dark personalities, and not to expect support from higher-ups when this is the case. The company might have picked a bad boss on purpose."

**More information:** Ling L. Harris et al, Recruiting Dark Personalities for Earnings Management, *Journal of Business Ethics* (2021). [DOI: 10.1007/s10551-021-04761-z](https://doi.org/10.1007/s10551-021-04761-z)

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