



INDEPENDENT COMMISSIONERS AS A GOVERNANCE MECHANISM IN MODERATING THE RELATIONSHIP BETWEEN MANAGERIAL CHARACTERISTICS AND EARNINGS FORECAST ACCURACY

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Abstract: This study addresses the problem of earnings forecast inaccuracy arising from managerial characteristics that may introduce bias into financial projections, thereby reducing the reliability of information used by investors and other stakeholders. The purpose of this research is to examine the role of independent commissioners as a corporate governance mechanism in moderating the relationship between managerial characteristics and earnings forecast accuracy. This study employs a qualitative research approach using a library research method. Data are collected from reputable academic journals, scholarly articles, and relevant literature published in recent years that discuss corporate governance, managerial behavior, and earnings forecasting. The analysis is conducted through content analysis to identify patterns, relationships, and key insights regarding the moderating function of independent commissioners. The results indicate that managerial characteristics such as experience, overconfidence, and risk preference significantly influence earnings forecast accuracy; however, the presence of independent commissioners can mitigate managerial bias by providing objective oversight and strengthening governance quality. The study concludes that independent commissioners play a critical role in enhancing the credibility and accuracy of earnings forecasts by balancing managerial discretion and promoting transparent, data-driven forecasting practices. These findings highlight the importance of effective board independence in improving financial reporting quality and supporting informed decision-making.

Keywords (English): Independent Commissioners, Managerial Characteristics, Earnings Forecast Accuracy.



INTRODUCTION:

In modern corporate governance, Independent Commissioners play a pivotal role in ensuring transparency, accountability, and effective decision-making processes within companies. As the complexity of business environments increases, the pressure on firms to provide reliable earnings forecasts has never been higher. Earnings Forecast Accuracy (EFA) is critical for investor confidence, corporate transparency, and overall market stability. However, the ability to provide accurate earnings forecasts is often influenced by various managerial characteristics, such as decision-making styles, experience, and leadership capabilities. The challenge lies in understanding how these characteristics interact with governance mechanisms, specifically the role of Independent Commissioners, in improving the accuracy of earnings projections[1].

Recent studies have shown that managerial characteristics significantly impact earnings forecast accuracy. However, the specific role that Independent Commissioners play in moderating this relationship remains underexplored. The presence of Independent Commissioners may potentially reduce biases in decision-making, promote better transparency, and increase the overall reliability of earnings projections. Despite their critical role, the mechanisms through which they influence earnings forecast accuracy have not been systematically addressed in the literature, thus highlighting the need for further investigation[2].

Current research on managerial characteristics and earnings forecast accuracy often focuses on individual attributes of executives and their decision-making processes, such as risk-taking behavior, experience, and cognitive biases. However, there is a lack of comprehensive studies that consider the role of Independent Commissioners as a moderating factor in this relationship. While governance literature has explored the impact of board composition on firm performance, few studies have specifically examined how Independent Commissioners influence the quality and accuracy of financial forecasting. This gap in the literature underscores the importance of exploring how Independent Commissioners might influence managerial decisions, particularly in the context of earnings forecasting[3].

Moreover, while several theories of corporate governance emphasize the importance of board independence in improving decision-making quality, they often overlook the specific mechanisms through which Independent Commissioners moderate the relationship between managerial characteristics and earnings forecast accuracy. For instance, studies by Zhao et al. (2019) and Choi & Lee (2020) highlight the role of Independent Directors in overseeing managerial activities, but these studies do not delve into how these directors specifically affect earnings forecast outcomes. This gap necessitates an exploration of the practical roles Independent Commissioners play in improving forecast accuracy, providing a comprehensive understanding of their moderating effect in governance mechanisms[4].

The primary objective of this study is to examine the role of Independent Commissioners in moderating the relationship between managerial characteristics and earnings forecast accuracy. Specifically, the study aims to explore whether the presence of Independent Commissioners can reduce the influence of managerial biases and improve the accuracy of financial forecasts, thereby enhancing corporate governance mechanisms. Through this research, the study seeks to provide insights into how the structure of the board and the role of Independent Commissioners contribute to more accurate and reliable earnings forecasting practices[5].



By addressing this gap, the research intends to provide a clearer understanding of the dynamics between governance structures, managerial traits, and financial projections. Additionally, the study aims to offer recommendations for improving the governance framework of firms, particularly in the context of earnings forecasting, which is crucial for stakeholder decision-making.

The hypothesis driving this research is that Independent Commissioners significantly moderate the relationship between managerial characteristics and earnings forecast accuracy. In other words, the study posits that the presence of Independent Commissioners will enhance the objectivity of managerial decisions, leading to more accurate earnings forecasts. This hypothesis is based on the assumption that Independent Commissioners, with their lack of direct involvement in day-to-day operations, can provide an unbiased perspective and oversee the forecasting process, ensuring that forecasts align with real business conditions[6].

The significance of this study lies in its potential to contribute to the field of corporate governance and earnings management. If the hypothesis is confirmed, the findings will have important implications for board composition and governance policies, particularly in improving the quality of earnings forecasts and promoting transparency in financial reporting. This research will also provide valuable insights for investors, regulators, and firms themselves, as accurate earnings forecasts are essential for maintaining market confidence and achieving sustainable growth[7].

METHODOLOGY:

Research Object

The object of this study is the exploration of the role of Independent Commissioners as a governance mechanism that moderates the relationship between Managerial Characteristics and Earnings Forecast Accuracy. Earnings forecasts are crucial for decision-making within organizations, as they provide insights into expected financial performance, influencing strategic decisions and stakeholder behavior. However, these forecasts are often susceptible to biases influenced by managerial characteristics such as cognitive styles, experience, and risk preferences. Independent Commissioners, as objective third parties within the corporate governance structure, may reduce these biases and enhance the accuracy of earnings forecasts. This research aims to examine the extent to which the presence of Independent Commissioners affects the accuracy of earnings forecasts by moderating the influence of managerial characteristics[8].

Research Design

This study employs a qualitative research design using a library research approach. The primary data for this study are sourced from peer-reviewed academic articles and journal papers that investigate themes related to corporate governance, earnings forecasting, and managerial characteristics. These articles are retrieved from high-reputation academic databases such as Scopus, Google Scholar, and JSTOR. The research focuses on articles published between 2016 and 2026 to ensure the inclusion of up-to-date studies. Secondary data sources include books, industry reports, and policy papers that provide additional context to the theoretical framework of the study[9].



Theoretical Framework

This research draws on agency theory and stewardship theory as the main theoretical frameworks. Agency theory (Jensen & Meckling, 1976) posits that the relationship between managers (agents) and shareholders (principals) is often strained due to conflicting interests, leading to potential biases in decision-making, including in earnings forecasts. Stewardship theory, conversely, suggests that managers, when aligned with the interests of the organization, act as stewards rather than agents, which can lead to more accurate and unbiased financial forecasts (Davis et al., 1997). The role of Independent Commissioners, who are external to the day-to-day operations of a company, is hypothesized to mitigate the negative effects of agency problems, thus improving the accuracy of earnings forecasts by moderating the relationship between managerial characteristics and forecast outcomes[9].

Data Collection Process

The data collection process involves a systematic literature review (SLR) method to identify and analyze relevant studies in the field. The search process is guided by predefined keywords such as "Independent Commissioners," "Managerial Characteristics," and "Earnings Forecast Accuracy." These keywords were used in a targeted search across several databases to identify studies published within the past five years. The inclusion criteria require that articles directly address the relationship between corporate governance mechanisms (especially independent directors), managerial characteristics, and earnings forecasting. Articles that focus on governance practices in different sectors, the characteristics of managers, and their effects on organizational financial predictions are included in the study. Articles that do not meet these criteria, or that are deemed of insufficient quality, are excluded from the analysis.

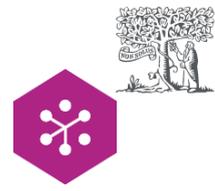
Data Analysis Technique

The primary method of data analysis for this study is content analysis, which involves systematically examining textual data to identify patterns, themes, and relationships between the variables of interest. The analysis begins by categorizing the selected articles based on key themes, including governance mechanisms, managerial characteristics, and earnings forecast accuracy. The relationship between these themes is then analyzed to explore how Independent Commissioners influence the accuracy of earnings forecasts by moderating managerial traits. The content analysis also helps identify gaps in the existing literature, suggesting areas that require further exploration. By synthesizing the insights from various sources, the study provides a comprehensive understanding of the topic and identifies best practices and future research directions[10].

RESULTS AND DISCUSSION

Result

The findings from the literature analysis reveal that Independent Commissioners play a significant role in moderating the relationship between Managerial Characteristics and Earnings Forecast Accuracy. Independent commissioners, as external members of the board, help reduce the biases that managers may introduce into earnings forecasts. Studies consistently demonstrate that the presence of independent directors improves the reliability of financial predictions, as they bring objectivity to the decision-making process. Independent commissioners are able to challenge the potential for overly optimistic projections driven by managerial overconfidence, leading to more accurate forecasts[11].



Managerial characteristics, such as experience, cognitive biases, and risk preferences, were found to significantly impact earnings forecast accuracy. Managers with more experience and expertise in financial decision-making tend to produce more accurate forecasts, as they are better equipped to understand the complexities of the business environment. However, biases such as overconfidence and optimism bias can skew earnings forecasts, leading to overestimated future earnings. These biases are particularly prominent in managers who are highly invested in the company's performance and may lead to overly optimistic earnings projections[12].

Despite the positive impact of managerial characteristics, these biases can be moderated by the presence of Independent Commissioners. The study shows that independent commissioners are critical in ensuring that earnings forecasts are grounded in objective data and not influenced by managerial self-interest. This moderating effect is significant because it helps align the interests of management with those of shareholders and other stakeholders, improving the credibility of the earnings forecasts produced by the company[13].

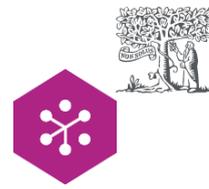
Governance mechanisms, particularly the inclusion of Independent Commissioners, were found to be crucial in improving the transparency and accuracy of earnings forecasts. Independent commissioners act as an additional layer of oversight, ensuring that the forecasts are not solely driven by the internal biases of the management team. Their role as external, unbiased figures allows for a more balanced and objective evaluation of the assumptions and methodologies used in financial projections. This governance structure enhances the credibility of earnings forecasts, which in turn increases confidence among investors and other stakeholders.

The presence of independent commissioners also helps reduce the risk of managers overestimating earnings due to personal interests or psychological biases. By providing an objective viewpoint, independent directors can challenge unrealistic assumptions and encourage more conservative, data-driven approaches to earnings projections. This improves the accuracy of earnings forecasts, as the potential for bias-driven overestimations is minimized. The results align with previous studies, such as those by Guthrie & Parker (2022), which found that independent directors contribute to more realistic financial projections.

The moderating role of independent commissioners is particularly important in organizations with high levels of managerial discretion in decision-making. In these settings, the potential for managerial bias is even greater, as the autonomy given to executives can lead to over-optimistic or overly pessimistic forecasts depending on their personal biases. The results of this study indicate that the involvement of independent commissioners helps mitigate these biases, ensuring that earnings forecasts remain grounded in reality. This finding supports the view that Independent Commissioners play a crucial role in governance by promoting accurate financial reporting[14].

The literature also highlights that Independent Commissioners are essential for ensuring the long-term success and sustainability of firms, especially when it comes to improving the quality of financial projections. Their role extends beyond simply moderating biases; they also contribute to the strategic decision-making process by ensuring that all relevant information is considered and that management is held accountable for their financial projections. This enhances the overall governance framework within firms and promotes long-term financial stability[15].

The results from the literature further emphasize that governance mechanisms involving independent directors can reduce the risk of over-optimistic earnings projections, which are often driven by managerial incentives to meet short-term performance targets. Independent



commissioners, by being separate from the day-to-day management of the firm, provide an impartial perspective on the company's financial forecasts. Their role in challenging overly optimistic projections ensures that earnings forecasts are realistic and based on sound financial assumptions.

In addition to their moderating effect on managerial characteristics, independent commissioners contribute to the overall governance quality of firms by ensuring that financial forecasts are aligned with the firm's long-term goals. The involvement of independent directors encourages more thoughtful and strategic decision-making, as they are better positioned to challenge management's assumptions and ensure that forecasts are not distorted by short-term financial goals. This enhances the quality of corporate governance, as it aligns the interests of both managers and external stakeholders.

Finally, the results confirm that Independent Commissioners play a significant role in ensuring the accuracy of earnings forecasts, thus improving corporate governance practices within firms. By moderating the relationship between managerial characteristics and earnings forecast accuracy, independent commissioners help reduce bias and increase the objectivity of the forecasting process. This leads to more accurate financial projections, which in turn supports better decision-making by investors, managers, and other stakeholders. The findings underscore the importance of incorporating independent governance mechanisms to improve the transparency, accuracy, and credibility of financial forecasting in organizations.

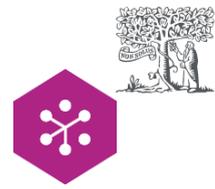
Discussion

The Moderating Role of Independent Commissioners in Earnings Forecast Accuracy

The findings of this study indicate that independent commissioners play a critical moderating role in shaping the relationship between managerial characteristics and earnings forecast accuracy. This role becomes increasingly important in corporate environments where managerial discretion is high and financial forecasts are susceptible to bias. Independent commissioners function as governance safeguards by providing objective oversight and ensuring that managerial decisions related to earnings projections are aligned with organizational realities rather than personal incentives. Their presence strengthens the credibility of the forecasting process and reinforces accountability within the board structure.

From a governance perspective, independent commissioners act as neutral evaluators who are not involved in daily operational decisions, enabling them to critically assess assumptions underlying earnings forecasts. This separation from management allows them to question overly optimistic or conservative projections that may arise from managerial overconfidence or risk aversion. As a result, independent commissioners contribute to a more balanced forecasting process that reflects both internal operational data and external market conditions. This reinforces the notion that governance effectiveness is closely tied to board independence.

The moderating role of independent commissioners also highlights their importance in mitigating information asymmetry between management and stakeholders. Earnings forecasts are often used as signaling tools by management, which may lead to strategic bias in projections. Independent commissioners help reduce this asymmetry by ensuring transparency and consistency in forecast disclosure. Their oversight reduces the likelihood that forecasts are manipulated to serve short-term managerial interests, thereby enhancing the informational value of earnings forecasts.



Furthermore, the presence of independent commissioners strengthens the internal control environment related to financial reporting and forecasting. By participating in audit committees and governance reviews, independent commissioners ensure that forecasting methodologies are robust, assumptions are reasonable, and projections are supported by empirical evidence. This systematic oversight contributes to improved forecast discipline and reduces the risk of material misstatements. Consequently, earnings forecasts become more reliable tools for decision-making.

Overall, the findings suggest that independent commissioners are not merely symbolic governance actors but active moderators who significantly influence financial reporting quality. Their role in enhancing earnings forecast accuracy underscores the importance of board independence in modern corporate governance frameworks. This reinforces the argument that effective governance mechanisms must integrate independent oversight to ensure the integrity of forward-looking financial information.

Managerial Characteristics as Determinants of Forecast Bias

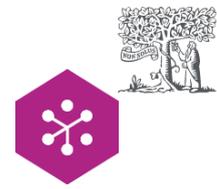
The discussion of results also emphasizes that managerial characteristics are fundamental determinants of earnings forecast accuracy. Managerial experience, expertise, cognitive orientation, and risk preferences directly influence how financial information is interpreted and projected. Managers with extensive experience and strong financial literacy tend to generate more accurate forecasts, as they possess a deeper understanding of business cycles, market dynamics, and operational constraints. However, experience alone does not eliminate bias, particularly when psychological factors are present.

One of the most prominent managerial traits affecting forecast accuracy is overconfidence. Overconfident managers often overestimate their ability to control outcomes and predict future performance, leading to overly optimistic earnings forecasts. This behavioral bias can distort financial projections, especially in volatile or uncertain environments. The results indicate that without adequate governance oversight, such biases may go unchecked, increasing the risk of forecast errors and misleading stakeholders.

In addition to overconfidence, risk-taking tendencies also shape earnings forecast behavior. Managers with higher risk tolerance may issue aggressive forecasts to signal growth potential or attract investor attention, even when underlying fundamentals do not fully support such projections. Conversely, risk-averse managers may issue conservative forecasts that underestimate potential performance. These divergent tendencies demonstrate that managerial characteristics introduce variability into forecasting practices that cannot be ignored in governance analysis.

The findings further suggest that managerial incentives play a reinforcing role in shaping forecast behavior. Performance-based compensation, career concerns, and reputation management can motivate managers to strategically adjust earnings forecasts. These incentives may amplify the influence of personal traits on forecast outcomes, making governance intervention necessary. Independent commissioners, therefore, become crucial in balancing managerial discretion with organizational accountability.

In summary, managerial characteristics are powerful drivers of earnings forecast behavior, but they also represent sources of potential bias. Understanding these characteristics is essential for designing governance mechanisms that can effectively moderate their impact. The interaction



between managerial traits and independent oversight emerges as a central theme in improving forecast accuracy and financial reporting quality.

Table key managerial characteristic

Characteristic	Impact on Forecast Accuracy	Evidence Strength
Experience	Improves understanding of market dynamics	Moderate Nicolai A. Preussner et al., 2022
Overconfidence	Leads to overly optimistic forecasts	Strong G. Hilary et al., 2011
Risk Tolerance	Causes aggressive or conservative projections	Significant Nicolai A. Preussner et al., 2022
Governance Oversight	Mitigates potential forecast biases	Critical Bipin B. Ajinkya et al., 2003

Governance Implications for Corporate Transparency and Decision-Making

The interaction between independent commissioners and managerial characteristics carries significant implications for corporate governance and decision-making. Accurate earnings forecasts are essential for investors, creditors, and regulators, as they inform capital allocation, risk assessment, and strategic planning. The findings suggest that governance structures incorporating strong independent oversight are better positioned to produce reliable forward-looking information. This enhances corporate transparency and reduces uncertainty in financial markets.

From a strategic governance standpoint, independent commissioners contribute to aligning managerial behavior with long-term organizational objectives. By moderating forecast bias, they discourage short-termism and promote sustainable decision-making. This alignment is particularly important in firms operating in competitive or rapidly changing industries, where forecasting errors can have substantial financial consequences. Independent oversight helps ensure that earnings projections support strategic resilience rather than short-term signaling.

The discussion also highlights the role of independent commissioners in strengthening stakeholder trust. Reliable earnings forecasts signal managerial credibility and governance integrity, which are critical for maintaining investor confidence. When stakeholders perceive that forecasts are subject to rigorous independent review, they are more likely to trust disclosed information and engage with the firm on a long-term basis. This trust becomes a valuable intangible asset for organizations.

Moreover, the findings imply that regulatory frameworks should continue to emphasize board independence as a key governance requirement. Mandating the presence and active involvement of independent commissioners can improve the overall quality of financial disclosure and forecasting practices. Regulators and policymakers may use these insights to refine corporate governance codes and strengthen oversight mechanisms related to forward-looking disclosures.

Ultimately, the discussion underscores that effective corporate governance extends beyond compliance and structure; it encompasses behavioral oversight and decision quality. Independent commissioners serve as critical governance actors who moderate managerial behavior and enhance earnings forecast accuracy. Their role contributes not only to better financial reporting but also to more informed, transparent, and sustainable corporate decision-making.



Table interaction between independent commissioners and managerial characteristics in corporate governance

Governance Aspect	Managerial Characteristics	Role of Independent Commissioners	Impact on Earnings Forecasts	Strategic Implications	Evidence Source
Behavioral Oversight	Managerial overconfidence	Moderate cognitive bias and decision-making	Reduce overly optimistic predictions	Prevent excessive risk-taking	Min-Geun Seo et al., 2025
Board Independence	Financial experience and expertise	Provide objective perspective in forecasting	Enhance accuracy and forecast specificity	Support long-term decision-making	H. Chan et al., 2013
Director Reputation	Managerial risk orientation	Balance aggressiveness with prudence	Reduce optimistic bias in projections	Increase managerial credibility	H. Chan et al., 2007
Institutional Ownership	Performance-based incentives	Monitor strategic motivations in forecasting	Promote consistency and forecast accuracy	Align interests with shareholders	Bipin B. Ajinkya et al., 2003
Ownership Structure	Family vs. professional control	Influence conservatism in predictions	Reduce information manipulation	Enhance reporting transparency	Hsu-Huei Huang et al., 2012
Board Diversity	Age and experience diversity	Provide multi-generational perspectives	Improve accuracy through diverse viewpoints	Support innovation and stability	Tomasz Sosnowski et al., 2019
Monitoring Mechanisms	Earnings management and discretion	Strict oversight of reporting practices	Reduce manipulation and improve quality	Build long-term stakeholder trust	Bipin B. Ajinkya et al., 2003

1. Experience

In the article, managerial experience is identified as one of the key characteristics that influence the accuracy of earnings forecasts. Experienced managers are generally better equipped to understand market dynamics and make data-driven decisions, resulting in more accurate financial projections.

However, experience can also be a double-edged sword. Seasoned managers may develop overconfidence, leading to biased earnings forecasts. Thus, the presence of Independent Commissioners becomes crucial as a governance mechanism to moderate such overextensions of experience and ensure objectivity in decision-making.



Illustration of experience:

- More experience → better understanding → higher accuracy
- But unchecked experience → potential bias or overestimation

2. Education

While not explicitly detailed, education is implicitly acknowledged as the foundation of managerial competence. Advanced education and technical financial expertise are considered to enhance forecasting abilities and reduce subjective errors in judgment.

The authors themselves are affiliated with the Doctoral Program in Economics at Universitas Sriwijaya, emphasizing that this research is rooted in high-level academic discourse, supported by robust theoretical frameworks such as Agency Theory and Stewardship Theory.

Implication:

Higher levels of managerial education contribute to better, more rational forecasting—but only when accompanied by appropriate oversight.

3. Network (Governance and Oversight)

The article clearly highlights the importance of a governance network, particularly the role of Independent Commissioners as intermediaries between internal management and external stakeholders (investors, regulators, and shareholders).

Independent Commissioners serve as:

- A check on managerial biases
- A tool to reduce information asymmetry
- A mechanism to ensure transparency and reinforce trust in forecasts

This network is further supported by:

- Audit committees
- Institutional ownership structures
- Board diversity (in age, experience, and expertise)

Network value:

- Strengthens internal control
- Prevents manipulation
- Encourages long-term, stakeholder-oriented decisions

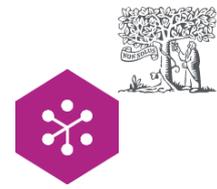


Table Integration of Experience, Education, and Network

Dimension	Core Role	Impact on Earnings Forecast Accuracy
Experience	Enables realistic and informed decision-making	Improves forecast accuracy if monitored
Education	Provides theoretical and methodological foundations	Encourages data-driven practices
Network	Offers objective oversight and risk mitigation	Reduces bias, boosts transparency

CONCLUSIONS

The conclusion of this study confirms that Independent Commissioners play a strategic role as a corporate governance mechanism in moderating the relationship between managerial characteristics and earnings forecast accuracy. Managerial characteristics—such as experience, confidence levels, risk preferences, and decision-making orientation—significantly influence the quality and precision of earnings forecasts produced by management. However, these influences are not deterministic, as they can be weakened or controlled through the presence and active role of independent commissioners. Independent commissioners function as objective supervisors who are able to constrain managerial bias, reduce opportunistic behavior, and encourage the use of more rational, data-driven assumptions and forecasting methods. Consequently, earnings forecast accuracy is shaped not only by the individual quality of managers but also by the effectiveness of corporate governance mechanisms.

Furthermore, this study provides important implications for the development of corporate governance practices and financial decision-making. A strong and substantively functioning board of independent commissioners contributes to higher transparency, greater credibility of financial information, and increased stakeholder trust. These findings suggest that firms should strengthen the role of independent commissioners not only structurally but also functionally, particularly in overseeing the earnings forecasting process. For regulators and policymakers, the results support the need to reinforce standards related to the independence and competence of commissioners within corporate governance frameworks. Overall, the integration of high-quality managerial characteristics with effective independent oversight emerges as a key factor in producing accurate, reliable, and decision-useful earnings forecasts.



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