Session: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

The Lost Productivity: An Experimental Investigation of Human Versus Algorithm-based Discretion in Incomplete Contracts

Wenqian Hu
Georgia Institute of Technology

ABSTRACT: Incentive compensation is often characterized by incomplete contracts. In a setting where managers have discretion over the size of employee compensation pool, prior work indicates that managerial discretion deteriorates employee productivity. In this study, I experimentally investigate whether replacing human managers' decision making with algorithm-generated bonus allocations that mimic managers' decision making improves employee productivity. I find that discretionary bonus pools determined by algorithms generate higher employee productivity without sacrificing firm's residual profits. Further, the productivity-inducing effect from algorithms is stronger when employees receive generous rewards or when the rewards are not contingent on the performance signal. These results are consistent with the idea that it is hard for managers to establish credibility for rewarding employees in incomplete contracts. Employee productivity is improved once the human element is removed from the responsibilities in determining the rewards, even when the reward strategy and outcomes are held constant. This study advances our understanding of the behavioral factors influencing employee productivity in incomplete contracts and the potential ways algorithm-based evaluations can be used to improve firm outcomes.

Session: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

How Do Corporate Social Goals Materialize in Management Control Systems? An Exploratory Study in German Family Businesses

Marvin Kalla
International Performance Research Institute

Mischa Seiter
Ulm University

ABSTRACT: Increasing demands from stakeholders and legislation are forcing companies to make sustainability a core part of their corporate strategy. Consequently, this development induces a need for change and adaptation in management control systems (MCSs). However, the literature is lacking in investigations of the social aspect of sustainability in this regard. Our study aims to fill this void by exploring how corporate social goals materialize in MCSs. Drawing on data from semi-structured interviews with managers from German family businesses, we specifically focus on social goals as one aspect of sustainability and examine their materialization in MCSs. We contribute to the literature by providing an overview of control mechanisms that companies explicitly apply to manage social goals in order to align employee behavior with their social goal orientation. We find a dominant role of cultural controls in such endeavors.

Session: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

Using the Lemonade Stand Game to Teach the Data Process Chain

Christopher Dahlvig
Linfield University

ABSTRACT: As colleges and universities strive to adapt their accounting programs to align with the work of CPA Evolution, games are an efficient and effective tool for introducing the data process chain. This action research project demonstrated that The Lemonade Stand game was successful in increased student understanding and retention of the five stages of the data process chain and how each stage was used in the accounting profession.

Session 2.02: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

Performance Assessments in Diverse Teams: Who Gets Unfair Credit for Joint Team Performance?

Gerhard Speckbacher
WU Vienna University

Martin Wiernsperger
WU - Vienna University of Economics and Business

ABSTRACT: In team-based work settings, peer performance assessments are becoming increasingly popular. Since peer assessments avoid single-rater bias and potentially provide a more balanced view on team member performance, they are held to be fairer than traditional “boss-centric” performance evaluations. This study analyzes team diversity as a possible source of systematic bias in peer performance assessments. We use social comparison theory to explain the attribution of team success or failure to similar (in-group) versus dissimilar (out-group) team members within teams that are set up as mixed teams along visible criteria such as gender, race/ethnicity, or age. We argue and provide experimental evidence that team members show a tendency to assess the performance of in-group peers more favorably. However, in-group favoritism breaks down or even turns into the opposite when the team has information on (positive) joint team performance.

Session: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

Experimental Evidence on the Effect of Clawback Provision Strength and Discretion in Clawing Back Performance-Based Payment on Honesty in Reporting

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University of Stuttgart

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Ann Katarina Tank
Universität Stuttgart

ABSTRACT: Previous research on clawbacks shows that the adoption of clawbacks leads to positive effects, for example to a decrease of financial restatements, which is often used as a proxy measure for reporting quality (e. g. Chan, Chen, & Chen, 2013) or to a decrease in fraud risk (e. g. Fung, Raman, Sun, & Xu, 2015). These studies are mostly based on archival data analysis (Velte, 2020) and therefore the causality of the effect on a behavioral level is not clear, yet. The objective of our study is to provide empirical evidence on causal direct effects of clawback provisions using a behavioral experiment. Our findings show that adopting clawback provisions to the incentive system leads to significantly better – in terms of more honest – reporting behavior. Second, we find significant differences of the degree of clawback provision strength (based on the Erkens, Gan, and Yurtoglu (2018) clawback-strength-index) and third, we find a significant interaction effect between the degree of discretion that is applied while executing a clawback and the clawback strength on the honesty in reporting. Thus, our findings show that too much discretion in exercising clawbacks waters down the strength of the clawback and thus its regulatory intention. Because these findings give implications on the specific design of clawback provision and on the effect of applying discretion in the execution of clawbacks they are relevant for both regulators and practitioners.

Session: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

Bridging Organizational Resilience and Management Control Systems—A Systematic Review

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Technische Hochschule Aschaffenburg

Peter Gordon Roetzel
University of Aschaffenburg

ABSTRACT: Organizations have repeatedly faced challenges due to disasters such as pandemics, economic or financial crises, and other unexpected events. One reason why some organizations cope more efficiently than others with such unforeseen circumstances might be their specific resilience design. Despite considerable research on organizational resilience, there is still no consensus on how "resilience" should be defined and understood, how it is conceptualized at the organizational level, and how it interacts with management control systems (MCSs). This study bridges the literatures on MCSs and organizational resilience to provide a broader understanding of how organizations can cope with adverse events. To identify potential relationships between MCSs and organizational resilience, we perform a systematic review of the literature, which we supplement through content analysis and citation network analysis. We use MCSs to investigate different approaches to achieving organizational resilience, as well as the relationships, trade-offs, and complementarities between organizational resilience measures and management controls. We draw on Simons's "levers of control" framework and apply complementarity theory to explain the relationship between the design and usage of MCSs on the one hand and organizational resilience on the other. Our study reveals gaps in the literatures on MCSs and organizational resilience and proposes avenues and a preliminary roadmap for future research. Our findings suggest that organizations might strengthen their resilience if they integrate measures of organizational resilience into their MCSs. We also introduce the concepts of resilience-oriented management controls (ROMC) and discuss how organizations could increase their resilience capacity by building such systems (ROMCS).

Session 1.07: RESEARCH EXHIBITION 1
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:00 AM - 10:30 AM PST

A Deep Dive into an AI Start-Up Company in the Pandemic

Li Zhang
University of Illinois at Urbana Champaign

Austin Kewei Chen
New York University

ABSTRACT: Abstract: This case will take you on a roller-coaster ride through the second quarter of 2020, as you help a CEO of a high-tech start-up company cut costs and increase sales to weather the COVID-19 pandemic. Based on a past budget report, you will provide managerial accounting insights to the CEO to make decisions as the company changes its business model in response to the pandemic. You will analyze historic salary data to compute the Paycheck Protection Program (PPP) loan dollar amount, revise the budget, and predict cash runway under different scenarios. Discussion topics will include budgeting, breakeven analysis, data analytics, cash burn, cash runway, discretionary costs, fixed costs, PPP loans, EIDL loans, and company compliance.

Session 1.07: PERFORMANCE PRESSURES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

CEO Pay Ratio Voluntary Disclosures and Investor Reactions

Lisa LaViers
Tulane University

Jason Sandvik
Tulane University

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ABSTRACT: Since 2018, the Security and Exchange Commission (SEC) has required firms to disclose the ratio of their Chief Executive Officer's (CEO's) and median employee’s pay. This rule was enacted due to increasing concerns from investors about the human capital management practices of firms. Due to the uncertainty surrounding the ratio's interpretation, some managers use voluntary disclosures to complement and clarify their mandatory disclosures. We document this behavior by manually inspecting the proxy statements of all firms in the S&P 1500. We predict and find that a firm's propensity to provide voluntary disclosures increases in the magnitude of its pay ratio. Drawing on equity and signaling theory, we predict that investor reactions will be significantly more impacted by the voluntary disclosure behavior of firms whose pay ratios are in the middle of the distribution. Investors rely more on the voluntary disclosures of middle ratio firms because the magnitude of their ratio provides an ambiguous signal of pay fairness, relative to low or high ratios. We find empirical support for this prediction, and we find that investor responses are strongest among firms with high institutional ownership, which we attribute in part to the demands of institutional investors for increased human capital management disclosures.

Session 1.07: PERFORMANCE PRESSURES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Where are the Clawbacks?

Dane M. Christensen
University of Oregon

Lance Gabrielsen
University of Oregon

Kyle M. Peterson
University of Oregon

ABSTRACT: We examine the propensity of firms to claw back executive compensation after a restatement. We find that despite thousands of restatements from 2004-2019, firms almost never use this important governance mechanism. However, in the few instances when clawbacks do happen, they are associated with alleged misconduct, severe restatements, and the presence of a clawback policy at the firm. The SEC has also enforced only a few compensation clawbacks, which has provided weak stimuli for firms to enforce more clawbacks. We also find that firms appear to use CEO or CFO dismissal as a substitute governance mechanism instead of clawbacks. Lastly, we investigate a consequence of the lack of clawback enforcement: the attenuation of the benefits of clawback policy adoption. Specifically, we find the financial reporting quality improvements firms experience after clawback policy adoption diminish within a few years, consistent with executives learning that clawback policies have no teeth.

Session 1.07: PERFORMANCE PRESSURES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Top Human Resources Executives and CEO Compensation

Natalie Kyung Won Kim
IE University

Sewon Kwon
Ewha Women's University

Jae Yong Shin
Seoul National University

ABSTRACT: We examine the role of top HR executives in CEO compensation decisions. Using a sample of Standard & Poor’s (S&P) 1500 firms from 2006 to 2017, we find that the presence of a top HR executive is associated with higher CEO compensation and a higher CEO pay slice (CPS) among named executive officers. Our results suggest that top HR executives benefit CEOs in the context of CEO compensation, especially when the HR executive is co-opted (i.e., hired after the CEO). In addition, our findings are consistent with top HR executives facilitating implicit contracting between the board of directors and the CEO. Firms with top HR executives are more likely to include non-public information in CEO compensation contracts early in the CEOs’ tenure; and to make ex post adjustments to earnings measures used in CEO annual bonus contracts.

Session 1.03: CONTRACTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Assessing the Social Impact of Corporations: Evidence from Management Control Interventions in the Supply Chain to Increase Worker Wages

Jee-Eun Shin
University of Toronto

Gregory Distelhorst
University of Toronto

ABSTRACT: Do corporate investments in sustainability of their commercial partners pay-off? This study estimates the impact of management control interventions by a large multinational corporation that sought to increase factory worker wages at its supplier firms. Difference-in-differences estimates based on eight years of data from over 1,800 factories show that wage interventions were associated with a wage increase of approximately 5 percent over the three years following their implementation relative to factories at which no wage-related interventions were implemented. Cost-benefit analyses suggest that the wage impacts of changing suppliers' management practices were many times greater than if the invested financial resources were instead paid directly to the affected workers. We also shed light on the role of different types of management control interventions – a bottom-up approach that focuses on mobilizing stakeholder representations within the firm and a top-down approach that focuses on establishing formal guidelines and systems to increase wages. The evidence is consistent with the predominant role of a top-down approach. This study has implications for standard-setters by providing in-depth insights on corporate investments into sustainable management practices. Our findings also inform managers on how to design management control interventions to maximize their social impact.

Session 1.03: CONTRACTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Why Do U.S. Films Underperform in China: Making Sense of Cents Abroad

Aner Zhou
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Eric J. Allen
University of California - Riverside

Fei Du
University of Illinois at Urbana-Champaign

Mark Young
University of Southern California

ABSTRACT: Revenue-sharing contracts are widely used in licensing agreements, especially in geographically dispersed markets. While this arrangement leverages the licensees' local expertise, it also distances licensors from the market and subjects them to additional costs as they attempt to monitor and interpret reported performance. These costs are particularly high when reported revenues are lower than expected, as the licensor must determine whether underperformance is driven by economic factors, such as poor demand, or intentional misreporting by licensees. We examine these issues within the Chinese film exhibition industry. Using film-level box office data from 7,516 cinemas in 2016, we show that foreign films' reported box office revenues are 17% lower than local films shown in the same cinema. We find that this relative underperformance is not attributable to low demand for foreign films. Rather, it is concentrated in cinemas where foreign producers face higher monitoring costs, suggesting that the underperformance is driven by cinema owners' underreporting. Our results provide some of the first evidence of product-level misreporting under revenue-sharing contracts and suggest potential ways to mitigate misreporting. Further, the results indicate the importance of simultaneously considering economic and reporting factors when using reported revenue to assess performance under revenue-sharing contracts.

Session 1.03: CONTRACTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM

Asset Control Rights and the Independent Contractor

Martin K. Holzhacker
Michigan State University

Harlow Loch
Michigan State University

Jason Miller
Michigan State University

Alex Scott
University of Tennessee

ABSTRACT: Independent contractors are a growing share of today's workforce. These workers frequently own assets central to production, which provides independent contractors with significant autonomy and high-powered incentives but also exposes their exchange partners to opportunistic behavior. Regulatory or contractual restriction of independent contractors' asset control rights mitigates opportunism but may have unintended consequences for the quantity and quality of labor supplied. We exploit a legacy provision in regulation of the trucking industry to examine the effect of asset control right restrictions imposed by federal mandate on independent contractors. This 2015 regulatory change mandates the use of electronic logging devices that enforce hours-of-service (HOS) limits. Our difference-in-differences estimates reveal a 16% decrease in major HOS violations after the mandate, reflecting improved compliance. However, we also find that the mandate had an adverse impact on contracting labor supplied: the likelihood of market exit increased 23.4%, labor supplied per contractor decreased 6%, and long-term subcontracting increased 4%. Additional analysis examining heterogeneity in treatment effects reveals that while violators drove observed improved compliance, adverse effects on market exits extend to non-violators, potentially creating supply-side distortions in the labor market. Our findings have implications for contracting and regulation governing transactions involving independent contractors.

Session 1.04: FRAUD/MISREPORTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM

Participative Budgeting: Disaggregate the Plans, the Reports, or Both?

Dominik Kemsa
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Peter Schaefer
Technische Universität München

Andreas Ostermaier
University of Southern Denmark

ABSTRACT: Participative budgeting can improve firms' planning but will induce agency problems if self-interested managers misstate private information for their own benefit. However, previous literature documents evidence consistent with a social norm of honesty that limits managerial dishonesty. Bicchieri's social norm theory suggests that contextual cues can increase the likeli-hood that norms are activated. Our experimental results suggest that such cues can be more subtle than previously documented: Managers report substantially more honestly when they are aware of value drivers that underlie reported numbers. We conduct a participative budget-ing experiment in which we manipulate whether a stylized planning process requires managers to deal with the aggregated reporting number only or whether it requires them to also deal with underlying value drivers. Consistent with social norm activation, we find that planning with disaggregated value drivers makes managers report more honestly. In a second step, we investigate how strongly recipients of budget reports rely on reported numbers when they up-date their beliefs about actual values. In the condition in which value drivers are salient, we additionally manipulate whether managers need to include the value drivers in their budget reports. We find that recipients who receive disaggregated reports including the reported number together with the value drivers adjust their ex-post beliefs more strongly to managers' reports than recipients who receive aggregated reports including the reported number only. This is consistent with support theory that suggests that unpacking information increases its perceived credibility.

Session 1.04: FRAUD/MISREPORTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

The Importance of Social Mechanisms in the Commission of or Resistance to Group Fraud: A Field Study

Pujawati M. Gondowijoyo
Queen's University - Kingston

Christie Hayne
University of Illinois at Urbana-Champaign

Pamela R. Murphy
Queen's University

ABSTRACT: We analyze 19 stories from individuals who committed group fraud and 19 from those who resisted pressure to commit group fraud. Our goal is to better understand the control mechanisms that helped push people toward or against group fraud. Our theoretical lens highlights the implications of the social nature of "group" fraud and classifies the mechanisms we examine into social and administrative mechanisms. Social mechanisms are based on the influence of others (e.g., culture, mentorship) while administrative mechanisms are based on rules and policies (e.g., reward systems). We find that social mechanisms are significantly more influential than administrative mechanisms in pushing individuals toward the commission of and resistance to group fraud. Leveraging Qualitative Comparative Analysis, we also identify combinations of control mechanisms that commonly lead to the commission of and resistance to group fraud. Our field study enriches group fraud literature and identifies control mechanisms in which practitioners should invest.

Session 1.04: FRAUD/MISREPORTING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

What Do You Recommend? The Effects of Communication and Dark Personality on Misreporting in Autonomous Teams

Anna Ressi
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Daniel Schaupp
WHU-Otto Beisheim School of Management

Victor van Pelt
WHU-Otto Beisheim School of Management

ABSTRACT: In autonomous teams, the responsibility for important tasks and decisions, like reporting decisions, is shared among team members, creating uncertainty about how much influence each team member has on the team's decision. We examine autonomous teams to analyze the effects of communication and team member personality on team cost reporting decisions. Our results show that team misreporting becomes more pronounced the darker the team members' personality and that communication among team members fulfills a crucial role. Specifically, communication among team members fails to discipline dishonest team members with a darker personality. At the same time, it can infect honest team members with a less dark personality, both leading to more team misreporting. Our results grant detailed insight into the black box that is autonomous teams and showcases how their joint decision-making processes depend on communication and team composition.

Session 1.05: LABOR FORCE MANAGEMENT
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Reliance on Part-Time Labor and Operating Efficiency

Joanna Golden
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Raj Mashruwala
University of Calgary

Mikhail Pevzner
University of Baltimore

ABSTRACT: Prior research (Kesavan et al. 2014) documents that a reliance on a higher proportion of part-time workers (compared to full-time workers) in the retail industry affords greater volume flexibility to a firm in adapting to changing economic conditions, resulting in improved firm performance. However, in employing more part-time workers, firms must trade-off greater costs associated with coordinating a larger workforce. As a result, we argue that the association of part-time labor with operating efficiency will depend on the trade-offs between the relative costs and benefits of part-time labor which can vary in different settings and industries. In the first part of our empirical analysis, we examine the average effects of a higher reliance on part-time workers on firm-level operating efficiency across multiple industries and contrary to Kesavan et al. (2014) find a negative association between the proportion of part-time workers and operating efficiency. In subsequent hypotheses and tests, we look at cross-sectional variation in the relative costs and benefits of employing part-time labor. These tests help shed light on the trade-offs involved, which can impact the effect of part-time labor on operating efficiency in different settings.

Session 1.05: LABOR FORCE MANAGEMENT
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

The Effect of an Electronic Monitoring System on Employees' Productivity in Telecommuting Arrangements

In Gyun Baek
National University of Singapore

Yea Hee Ko
University of Wisconsin-Madison

ABSTRACT: When employees work from home, organizations have traditionally placed a stronger reliance on output-based controls due to the inability to physically observe their employees. Due to recent advances in technology, however, many organizations now use input-based controls. One such input-based control is an electronic monitoring system, which records the number of hours spent working and leaves out any time in which an employee does not perform work activities. We take advantage of a field-research setting in which the organization adopts an electronic monitoring system for its telecommuting employees. We find an electronic monitoring system leads to a 6.1% productivity increase for telecommuting employees. We also find an electronic monitoring system reduces employees' self-control problems and leads employees to complete tasks requiring greater effort. Finally, we find low performers' productivity increases more following an electronic monitoring system. Our results suggest technology plays a significant role in expanding organizations' management control choices when achieving controls in telecommuting arrangements.

Session 1.05: LABOR FORCE MANAGEMENT
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Employee Selection and Training: A Complementarity View

Raginee Baruah
EDHEC Business School

Frank Moers
Maastricht University

Isabella Grabner
WU Vienna University

ABSTRACT: In this study, we investigate the relationship between investments in employee training and investments in the employee selection process. Taking a complementarity theory perspective, we show that firms that invest highly in training will also invest highly in employee selection. In particular, we argue that the stability of the employee-firm relationship as well as the trainability of the employees (as attributes possessed by employees) affect the returns to training and are thus, demanded and selected by firms when they invest in training. We further argue and find that creativity-dependence of a firm plays a moderating (positive) role in this complementarity, especially in creative industries. The study brings new empirical evidence to a topic in the management control literature that has been otherwise studied and explained through theoretical models in the economics literature.

Session 1.06: EMPLOYEE MOTIVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

A Boo is Louder Than a Cheer: How Rejection and Feedback Type Influence Misreporting

Florian Becker
Heinrich Heine University Düsseldorf

Barbara E. Weißenberger
Heinrich Heine University Düsseldorf

ABSTRACT: Our study investigates how idea rejection (rejection vs acceptance) and feedback type (outcome feedback vs explanatory feedback) affect employees' misreporting of private information. Drawing on research in social psychology, we predict that employees will perceive rejections to be an unkind act by managers. Consequently, we expect employees to behave reciprocal by misreporting their private information to a greater extent. Moreover, we predict that the link between rejection (acceptance) and employees' perceived kindness is dependent on the feedback type managers use. Specifically, when employees' ideas are rejected, providing explanatory feedback will increase their kindness perceptions, thus, reducing employees' misreporting. When employees' ideas are accepted, however, providing explanatory feedback will not affect their misreporting because employees will perceive the acceptance already to be relatively kind. Our findings from a laboratory experiment support our predictions as well as the underlying theoretical processes. The results of our study contribute for one thing to theory by identifying rejection as an important factor that influences employees' misreporting and for another to practice by supporting managers in designing their feedback processes efficiently.

Session 1.06: EMPLOYEE MOTIVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Motivating Low Performers with Input-Based Relative Performance Feedback: Evidence from a Field Experiment

Rainer M. Rilke
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Victor van Pelt
WHU-Otto Beisheim School of Management

Sebastian Lehnen
WHU - Otto Beisheim School of Management

Christina Guenther
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ABSTRACT: Although it is well-established that relative performance feedback can produce motivational and performance-enhancing effects, empirical support has been mixed. One reason could be that low-performing employees do not attribute relative performance feedback to their effort but rather self-servingly to external circumstances outside their control. We conducted a field experiment testing the performance-enhancing effects of relative performance feedback based on inputs, which is relative performance feedback featuring a strong link with effort. Our findings reveal input-based relative performance feedback increases performance, particularly among low performers. These results support our theoretical predictions based on social comparison theory and social loss aversion, and they have practical implications for firms seeking to motivate low performers among their workforce.

Session 1.06: EMPLOYEE MOTIVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Does "Walking the Talk" Enable Pro-Environmental Behavior at Work? the Combined Effects of Value Statement and Role Model

Andson Braga de Aguiar
University of Sao Paulo

Myrna Modolon Lima
University of Sao Paulo

ABSTRACT: This study uses an experimental approach to examine when and how the presence of the environmental value statement can promote divisional managers' pro-environmental behavior at work. In particular, we investigate the effects of the combined presence of the environmental value statement and the CEO's pro-environmental role model on divisional managers' pro-environmental behavior. Our results are consistent with the substitutable rather than the complementary effects of the two informal controls. Precisely, the presence of the pro-environmental role model creates the conditions for the environmental value statement to suppress divisional managers' intention to follow pro-environmental behavior. In addition, our results suggest that the pro-environmental role model creates these detrimental effects because its presence inhibits the activation of pro-environmental social norms that the sole presence of the environmental value statement is otherwise able to activate. The main implication of our findings is that what the CEO says can be more influential than what the CEO does in activating value-relevant social norms and stimulating divisional managers' intention to follow PEB. Our study provides theoretical and practical contributions.

Session 1.07: PERFORMANCE MEASURES AND INNOVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Business as Usual: Working from Home During the Pandemic Did Not Lead to Large Changes in Employee-Level Management Control

Sander van Triest
University of Amsterdam

ABSTRACT: We investigate whether the switch to working from home during the corona pandemic has affected employee-level management control system design and use in a sample of 227 employee-supervisor dyads in The Netherlands. Organizational theory suggests that more working from home will lead to more emphasis on outcomes, less emphasis on procedures, and more delegation. Contrary to expectations, we find very limited diffences in how employees and supervisors experience the control system when working from home, with no evidence of a substantial shift towards outcome-based controls. The frequency of individual and team communication remained mostly similar through a shift towards online channels, although home workers report a small increase in total frequency. However, employees that work from home do report an increase in autonomy and higher performance, while supervisors working from home report lower performance. The results suggest that where working from home was implemented this happened within the existing control system, with supervisors incurring the transition costs.

Session 1.07: PERFORMANCE MEASURES AND INNOVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Too Much of a Good Thing? Enabling Performance Measurement Systems and the Implications for Business Function Ambidexterity

Michael Farrell
University College Cork

Breda Sweeney
National University of Ireland - Galway

ABSTRACT: This paper investigates the relationship between the decision-facilitating use of Performance Measurement Systems (PMSs) with enabling design features and a business function's ambidextrous capability. It is not easy to achieve ambidexterity, and while the concept has spurred research in many different directions, the impact of organisational systems on ambidexterity is less understood, particularly at lower organisational levels. Using a cross-sectional survey of 143 function managers working in a variety of functions across high-tech industries in Ireland, the research examines the relationship between ambidextrous capability, conceptualised as the ability of functions to achieve high combined levels of exploitation and exploration, and PMSs possessing Adler & Borys' four enabling design principles of repair, internal transparency, global transparency, and flexibility. The study's findings give a more nuanced account of Adler & Bory's claim that enabling systems can help organisations become ambidextrous. First, the study finds an inverted-U relationship between PMSs with enabling design features and ambidextrous capability; we interpret this relationship as a too-much-of-a-good-thing effect where high levels of an independent variable become detrimental to a dependent variable. Further analysis also reveals that as the enabling level of a PMS increases, functions become biased towards exploitation. Overall, the study contributes to the literature by theorising and demonstrating that control systems can be too highly enabling, thereby extending Adler & Borys' framework beyond its dichotomy of enabling and coercive systems.

Session 1.07: PERFORMANCE MEASURES AND INNOVATION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 10:30 AM - 12:00 PM PST

Innovation Performance Measure Tension and Absorptive Capacity: Unintended Consequences and How to Overcome Them

Christian Garaus
University of Natural Resources and Life Sciences, Vienna

Arthur Posch
University of Bern

Markus Wabnegg
WU Vienna University of Economics and Business

ABSTRACT: In pursuit of innovation, most firms rely on a diverse set of performance measures. While this helps them manage their various innovation efforts, the inherent tension between very distinct measures may also come at a cost. In this study, we argue that a strong tension between radical and incremental innovation performance measures undermines employees' ability to effectively search and integrate knowledge from outside the organization's boundaries, thus reducing a firm's absorptive capacity. Firms may, however, overcome this problem through cultural controls. More specifically, we argue that encouraging paradoxical thinking among employees helps them cope with the contradictory nature of performance measure tension, thereby improving both their search and integration strategies for new knowledge. We test our hypotheses using survey data from 131 companies in innovation-dependent industries and find support for our predictions. A supplementary analysis provides evidence that the mechanisms we present also have significant performance implications for firms.

Session: RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

Social Comparison and the Value of Performance Trajectory Information: A Field Experiment in the Workplace

Yucheng Liang
Carnegie Mellon University

ABSTRACT: New workers often compare themselves to their high-achieving senior coworkers, but they often do so without knowing how senior workers performed in the early stages of their careers. This upward social comparison under incomplete information can have adverse effects on new workers' well-being and employee turnover. We study whether providing performance trajectory information to new workers mitigates the negative consequences of performance comparison. In a large-scale randomized control trial at a leading multinational spa chain in China, we sent workers twice-weekly messages on the performance trajectories of their high-performing senior coworkers. This information treatment reduces the attrition rate of new workers by 12%, and the effect is most pronounced for the more productive workers. The lower attrition rate is mostly driven by an improvement in new workers' stress levels and mental health due to the lowering of their beliefs about senior coworkers' past performance. Overall, this study demonstrates that showing junior workers the "Curricula Vitae" of senior workers mitigates social comparison costs within firms.

Session: RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

The Relationship between Customer Incentive Design and Future Customer Value

Keng-Ming Tien
Shippensburg University

ABSTRACT: The purpose of revenue management control system is to enhance the revenue growth of an organization. The customer reward system is also called “loyalty program” in practice which plays an important role in customer relationship management which is part of management control systems. The system is a critical mechanism for a company deciding the resource allocation in order to achieve the organization’s goals. That means the design of customer rewards is important for the effectiveness of a revenue management control system. This research examines the relationship between customer reward system design and future customer value. We find that direct rewards significantly positively related to future customer performance than indirect rewards did. Interestingly, we find that indirect and indirect-high-threshold rewards negatively relate to future customer performance. This implies that different revenue management control system designs could increase or even unexpectedly decrease future customer value.

Session: RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

Understanding Corporate Governance in Business Groups: Lobbying by Subsidiary CEO for R&D Investment

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Shanghai Lixin University of accounting and financ

Anne Wu
National Chengchi University

Wai Fong Boh
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Cheng Jen Huang
National Chengchi University

ABSTRACT: This study sheds light on control and corporate governance issues between parent firms and subsidiaries in business groups by examining the extent to which subsidiary CEOs' network power influence their ability to lobby for greater subsidiary R&D investment. Our results highlight that subsidiary CEOs of business groups exert their network power to lobby for approval from parent firms for greater subsidiary R&D investment. Further, our findings suggest that effective subsidiary corporate governance can mitigate the positive influence of subsidiary CEOs' network power on their ability to lobby for more subsidiary R&D investment. Finally, we find that excessive R&D investment secured by subsidiary CEOs result in lower subsidiary's firm performance.

Session: RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

Unintended Consequences of Budget Participation and Performance Misreporting: An Experimental Study

Yusuke Sawada
Doshisha University

Satoshi Taguchi
Doshisha University

ABSTRACT: Clarifying mechanisms of accounting fraud to achieve performance targets is an important issue in accounting research. Especially, examining the impact of a set of goal-setting processes on both performance and its misreporting behavior is a major topic. To examine this impact, we conducted an online experiment using Amazon Mechanical Turk and oTree in which participants were asked to perform a real effort task and a goal-reporting behavior (N = 378). We compared participants' performance and reporting behavior for conditions with and without participation in the goal-setting process. Our results revealed an unintended consequence—dishonest performance reporting was more frequent for the budgetary participation condition than the no participation condition. This result was explained by both the moral disengagement theory, in which task sincerity is consistent with reporting sincerity, and the change in the relationships among participation, task performance, and reporting behavior. Our study sheds light on a novel mechanism of accounting fraud to achieve performance targets.

Session: RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

Behavioral Contagion and Gender Differences: The Effect of Reflection

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Tilburg University

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Maastricht University

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KU Leuven

ABSTRACT: In hierarchical organizations, we know little about how past manager-employee experiences affect employees' behavior towards their future subordinates when they are being promoted to the next level. We predict that contagion takes place (i.e., employees mimic their former manager's behavior when being promoted) such that the effect of experiencing a trusting manager relative to a less trusting manager affects future behavior of the promoted employee when they take up the role of manager. We also predict that when the promoted employee reflects on the behavior of his or her previous manager, the contagion will be mitigated. In a 2 × 1 experiment with two consecutive trust games, participants in the role of the employee (trustee) in the first game are promoted to manager (trustor) in the second game. We manipulate whether or not employees have to reflect on their manager's behavior in between the two games. In general, we find evidence of contagion in that promoted employees who experienced a manager that trusted them (less) in the past are behaving more (less) trusting towards their own subordinate. Yet, reflection does not seem to mitigate contagion as we anticipated. Instead, we find that the effect of reflection on contagion depends on gender. While contagion is present for males without reflection, it becomes weaker with reflection (through reflection males start to trust less regardless of experiencing a trusting vs. distrusting manager in the past). For females, however, we find the opposite effect. Without reflection, they trust less regardless of how their manager behaved in the past, while in the reflection condition, they start to exhibit contagion whereby they also trust more when experiencing a trusting manager.

Session: BREAK AND RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

Too Much Feedback? The Effects of Relative Performance Information on Task Performance and Task Persistence

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Uludag University

Boris Maciejovsky
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ABSTRACT: Advances in information technology have made the question of how relative performance information (RPI) affects and shapes learning and productivity a salient question in employee performance measurement and bench marking in academia and industry alike. Whereas extant research mostly identified the positive effects of RPI, we report the results of two experimental studies that captures the negative effects of RPI. Specifically, our results indicated reduced levels of learning and performance in an investment task, not only for average performers - but also for the entire cohort relative to a control group without RPI. In addition, we showed that these negative motivational effects may lead participants to switch tasks. This effect is less pronounced when participants did not know how they performed relative to others. Our results suggest that introducing RPI in a multitasking environment may lead to misallocation of efforts by prompting employees to shift to other tasks, resulting in retraining or replacement costs.

Session: BREAK AND RESEARCH EXHIBITION 2
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:00 PM - 3:30 PM PST

The Effect of Tax Deferral Election on Competition for the Employee

Tien-Wei Hwang
National Chengchi University and National Tsing Hua University

ABSTRACT: This study investigates the effect of tax deferral election, which allows the employee to elect to defer the payment of employee's personal income tax and the deduction of firm's corporate income tax or not, on competition for the employee. Since the consensus about tax deferral election is the requirement of tax deferral election, this study finds that it's less likely for the firm to allow the employee to file tax deferral election if tax deferral election game isn't repeated. To attract the employee, the firm may set the offer without (Case 1) or with (Case 2) tax deferral election with the same utility as the outside option or set the offer without tax deferral election with higher utility than the outside option (Case 3). In Case 2 and Case 3, tax deferral election doesn't affect the outcome of competition for the employee. In Case 1, tax deferral election may attract and retain the employee if tax deferral election game is repeated.

Session 2.01: INCENTIVES AND RETENTION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Target Ratcheting and Retention Concerns in Financially Distressed Firms

Isabella Grabner
WU Vienna University

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WU Vienna

Arthur Posch
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WU Vienna University of Economics and Business

ABSTRACT: In this study, we investigate how retention concerns affect target ratcheting in a firm under financial distress. Specifically, we argue that in such a setting, firms may employ target ratcheting differently across employees with the aim to retain high-performing individuals. We further suggest that in weak economic environments, where the supply of highly skilled individuals is scarce and companies have a stronger incentive to retain their best performers, targets are ratcheted even more favorably for high-performing agents. Using proprietary data of a retail company at the store manager level across 161 stores in nine European countries combined with local macroeconomic data from Eurostat for the years 2011 through 2014, we find support for our predictions.

Session 2.01: INCENTIVES AND RETENTION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Disturbing the Quiet Life? Competition, Incentives, and Performance Target Difficulty

Stephan Kramer
RSM Erasmus University

Michal Matejka
Arizona State University - Tempe

ABSTRACT: Although many studies argue that product market competition acts as a disciplining mechanism that increases incentive strength and managerial effort, empirical evidence to support this argument is still limited. We use a new measure of competition that aggregates information about multiple known determinants of competition as well as its consequences for firm profits and CEO pay. Consistent with the theory that competition reduces rents, our measure is associated with lower accounting performance, market valuation, CEO salaries, ex post incentive awards, and total pay. In our main analysis, we examine how competition affects incentive strength. In contrast to prior work, we predict and find that competition is negatively associated with equity portfolio incentives as measured by delta. Nevertheless, we also show that competition is associated with stronger incentives as reflected in a higher sensitivity of ex post CEO total pay to accounting and stock returns as well as a higher ex ante bonus-earnings sensitivity. Finally, we examine the effect of competition on performance target difficulty. We find that competition is associated with greater ex ante target difficulty but also with a greater likelihood of achieving the more challenging performance targets. Taken together, these findings suggest that managers work harder but get paid less in highly competitive environments.

Session 1.01: INCENTIVES AND RETENTION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Managing Employee Retention Concerns: Evidence from US Census Data

Eva Labro
University of North Carolina-Chapel Hill

James Omartian
University of Michigan

ABSTRACT: Using Census microdata on 14,000 manufacturing plants, we examine how firms manage employee retention concerns in response to local wage pressure. We observe wage increases in response, but the effect is weaker when key knowledge is not locked up in individual employees and when local plant management has more delegated decision-making authority. We also find substantial use of non-wage levers. Plants shift incentives to increase the likelihood that bonuses can be paid: performance target transparency declines, as does the use of localized performance metrics for bonuses. Furthermore, promotions become more meritocratic, ensuring key employees can be promoted and retained. Lastly, decision-making authority at the plant-level increases, offering more agency to local employees. We find evidence consistent with inequity aversion constraining the response to local wage pressure, and document spillovers in both wage and non-wage reactions across same-firm plants.

Session 2.02: ESG ISSUES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Risk from the Air: Climate Change and Corporate Performance

Jing Kong
Michigan State University

ABSTRACT: This paper examines the impact of physical climate change risk on corporate performance. Using exposure to transitory wildfire smoke as a unique setting, I find that more smoke exposure leads to lower operating income and lower sales revenue. On average, one additional day of wildfire smoke exposure leads to a loss of 1.9 times the average daily operating income. The effect is stronger when a firm has a higher R&D-to-employee ratio, a higher average labor cost, and operates in an industry that requires high-skilled labors, suggesting that lower productivity of employees who perform cognitive tasks drives the decreases in operating income and sales revenue. Moreover, I find that market participants do not fully price the impact of wildfire smoke on firm operations until the next annual earnings announcement. Firms that discuss more climate change exposure in their earnings conference calls are subject to less impact from future wildfire smoke exposure, suggesting that transparent disclosure is associated with better management of climate change risks. Overall, this paper documents the diffuse impacts of climate change that firms and investors could underestimate.

Session 2.02: ESG ISSUES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Workplace Harassment Risk, Non-Disclosure Agreements, and Information Flow

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Xiang Zheng
NHH Norwegian School of Economics

Yuping Jia
Frankfurt School of Finance

ABSTRACT: We study how anti-harassment laws impact information flow within firms. We show an improvement in internal information flow after the passage of laws that limit the use of non-disclosure agreements (NDAs) related to workplace harassment, consistent with the prediction that anti-NDA reduces harassment-risk-related friction in social interactions. The effect of anti-NDA is stronger for individuals with high harassment risk exposure and for firms with high reliance on private communications for information. In contrast, the effects of anti-NDAs are muted in regions with stronger prevailing conflicting social norms. Moreover, we find that, on average, firm value increases after the passage of anti-NDAs.

Session 2.02: ESG ISSUES
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Workplace Safety Incentives, Board Risk Oversight, and Employee Safety

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David Park
Seoul National University

ABSTRACT: In this study, we examine whether and how managerial incentives and board risk oversight impact the safety of a key stakeholder group, employees. First, we inspect whether workplace safety performance contingent incentives (WSI), bonus pay-to-performance sensitivity, and equity incentives impact employee injuries. Our results show a negative association between on-the-job injuries and WSI and equity delta but a positive association between on-the-job injuries and bonus pay-to-performance sensitivity and equity vega. Next, we examine the influence of board composition, particularly board independence, on the rate of employee injuries. On the one hand, outside directors can be more effective in monitoring myopic cuts in workplace safety investments. On the other hand, outside directors can demonstrate a short-term financial focus, increasing the demand for greater current earnings. Which effect prevails is an empirical question. Exploiting the SOX as a plausible exogenous shock to board structure, we find that on-the-job injuries increase for firms that transition to independent boards. Also, firms whose boards turn majority independent become less likely to integrate WSI in executive compensation contracts. Taken together, the present paper provides novel evidence on two firm-level factors that can impact employee safety - internal performance measurement systems and board monitoring and advisory.

Session 2.03: SOCIAL MISSION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Because I Care: The Effect of Superiors' Value Congruence and Compensation Scheme on Target Setting in Social Mission Organizations

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Marquette University

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University of Wisconsin-Madison

Dimitri Yatsenko
University of Wisconsin-Whitewater

ABSTRACT: This study experimentally examines the effects of superiors' value-congruence and compensation scheme on target setting. Value congruence is the degree to which superiors personally value the social mission of the organization they work for, such that value congruent superiors personally value the social mission of the organization more than non-value congruent superiors. To motivate subordinates to fulfill the mission of the organization, we predict and find value congruent superiors set higher targets for their subordinates than non-value congruent superiors when paid a fixed wage. We also predict and find performance-based pay moderates the effect of value congruence leading value-congruent and non-value congruent superiors to set similar targets. Lastly, we find our results are driven by superiors with high levels of benevolence. Our findings provide social mission organizations insight into tailoring management compensation schemes for superiors with different levels of value congruence.

Session 2.03: SOCIAL MISSION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

When Being Thanked Makes Employees Feel Less Appreciated: Evidence Regarding When and Why Peer-to-Peer Recognition Could Backfire

Paul Black
Auburn University

Mark Cecchini
University of South Carolina

Andrew H. Newman
University of South Carolina

ABSTRACT: Peer recognition systems are commonly touted in the business press as a means to increase several important employee outcomes, including the degree to which employees feel appreciated. We study effects of these systems by collecting survey data at a small company both pre and post the rollout of a company-wide peer recognition system. Contrary to expectations we find that the average degree to which employees felt appreciated declined after the peer recognition system was implemented. Based on this observation, we develop and test theory to better explain why this decline likely occurred. Specifically, using an experiment we show that two peer recognition system design features, making peer recognition public and the presence of recognition leaderboards, can lead employees to compare their relative level of recognition with that of others. Our findings suggest that these social comparisons result in an average decline in feelings of appreciation even though, in isolation, recognition would otherwise be perceived positively. Broadly, our study highlights that firms should carefully consider how the features of their peer recognition systems affect employees, as some seemingly positive features may unintentionally harm employee outcomes.

Session 2.03: SOCIAL MISSION
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Tend to One's Own House: The Effect of Firm CSR on Employee Effort

Jeremy Douthit
University of Arizona

Zhiping Mao
University of Arizona

Patrick R. Martin
University of Pittsburgh

ABSTRACT: We examine how employee effort is affected by their firm's corporate social responsibility (hereafter CSR) actions that are not directed towards the employee. We expect how employees are treated by the firm (well or poorly) and whether CSR uses financial resources to determine their effort response to CSR. Specifically, we expect that when employee treatment is poor and CSR uses financial resources, employees will view the firm's CSR actions as unfair and thus will react negatively to CSR. Results support our expectations and our theory. That is, we find that employees respond negatively to CSR only when they are treated poorly by their firm and CSR uses financial resources. In line with our underlying theory we find that these effects are driven by employees' perceptions of firm fairness. Our study suggests that firms may wish to consider how they are treating their employees before expending financial resources on CSR actions that benefit external parties.

Session 2.04: KNOWLEDGE SHARING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Advice Seeking under Objective versus Subjective Performance Evaluation: The Role of Advice Type

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Alexandra Van den Abbeele
KU Leuven

Martine Cools
KU Leuven

ABSTRACT: This paper investigates how the design of the performance evaluation system (objective versus subjective) influences organizational members' advice-seeking behavior. While prior research indicates a negative influence of subjective rather than objective performance evaluation systems on organizational members' advice-seeking behavior, we challenge this finding by recognizing the existence of autonomous and dependent types of advice seeking. In contrast to the literature, the results of our computer-based experiment show that subjectivity in performance evaluation does not discourage advice seeking when individuals feel free to pursue either type of advice seeking. Further, we identify conditions under which subjective rather than objective performance evaluation fosters individuals' likelihood to solicit advice.

Session 2.04: KNOWLEDGE SHARING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Knowledge Sharing: The Spillover Effects of Process versus Outcome Accountability

Suyun (Sue) Wu
Georgia Institute of Technology

ABSTRACT: Whereas prior literature has examined how process and outcome accountability affect task performance, this paper experimentally investigates the spillover effects of accountability systems on knowledge-sharing behavior and how such effects differ between employees with high versus low task output. Because outcome accountability draws attention to task output, employees who produce higher output may be more confident in their performance and, therefore, are more willing to share task-specific knowledge. In contrast, because process accountability focuses attention on exploring task strategies, employees who engage more in strategy exploration may be more confident in their performance and more willing to share task-specific knowledge, despite that strategy exploration may negatively affect current output. As predicted, experimental results show that employees with higher output are more willing to share their knowledge under outcome accountability but are less willing to share knowledge under process accountability. Mediation analysis confirms that participants' confidence in performance underlies these results. The influences of knowledge sharing on the productivity of coworkers who receive the shared knowledge are also examined.

Session 2.04: KNOWLEDGE SHARING
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

“Let Me Recognize You for Your Advice:" Peer Recognition Design to Reduce Feelings of Indebtedness Associated with Seeking Advice.

Elien Voermans
KU Leuven

Alexandra Van den Abbeele
KU Leuven

Martine Cools
KU Leuven

ABSTRACT: This paper investigates how different peer recognition designs (i.e. peer recognition scheme or peer reward scheme) influence organizational members’ advice seeking behavior under different levels of perceived cooperative goal interdependence. Prior literature illustrates that individuals’ motivation to seek advice is influenced by perceived costs imposed on the advisor, resulting in feelings of indebtedness. Building on this stream of literature, the current study examines whether advice seeking is influenced by an opportunity for reciprocity in terms of peer recognition or a peer reward. Using a computer-based experiment, we find no evidence that the implementation of a peer recognition design increases advice seeking. This result stands in sharp contrast to anecdotal evidence stating that peer recognition designs stimulate advice interactions. Additionally, we find the effectiveness of peer recognition schemes compared with peer reward schemes on advice seeking to be dependent on the level of cooperative goal interdependence. More specifically, we show that under low levels of perceived cooperative goal interdependence, peer recognition schemes are better suited to stimulate advice seeking than peer reward schemes.

Session 2.06: COST STRUCTURE
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Creditors' Role in Shaping Asymmetric Cost Behavior: Evidence from Debt Covenant Violation

Jie Zhou
Cal State University - Fullerton

ABSTRACT: This study uses covenant violations as a quasi-natural-experimental setting to examine creditors' role in shaping corporate cost behavior. Utilizing a regression discontinuity design, I find that cost stickiness experiences a sharp decline following debt covenant violations, when control rights are transferred to creditors. The cost stickiness effect is stronger for borrowers with higher financing frictions and when creditors possess greater bargaining power. The effect is also more pronounced during industry downturns, when borrowers have fewer alternative sources of finance. Results are consistent when I use alternative measures of cost stickiness and employ alternative research designs. Overall, my evidence indicates that creditors play a monitoring role with respect to firms' cost behavior and identifies a specific channel – loan covenants – through which the misalignment of incentives can impact cost asymmetry.

Session 2.06: COST STRUCTURE
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Do Management Revenue Forecasts Explain the Asymmetrical Behavior of Operating Costs?

Kenji Yasukata
Kindai University

In Gyun Baek
National University of Singapore

Ella Mae Matsumura
University of Wisconsin-Madison

ABSTRACT: Prior research studies cost asymmetry as a consequence of managers' response to an actual change in sales. However, it is not clear how managers alter cost structure when managers forecast a decrease in revenue. Using management revenue forecasts in Japan, where firms mandatorily disclose and revise management forecasts during the fiscal year, we examine the impact of management revenue forecasts on asymmetric cost behavior. We find that ex ante management revenue forecasts have a substantial impact on the degree of cost stickiness. Further, we find that initial management forecasts have a greater impact on determining firms' cost structure than revised ones, consistent with the notion that managers are subject to potentially large adjustment costs related to resource capacity. Finally, we find the degree to which managers' favorable expectations of future demand increase cost asymmetry is greater when managers are likely to have more discretion in retaining slack resources.

Session 2.06: COST STRUCTURE
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Do Mandatory Disclosures Affect a Firm's Decision to Contract with Outside Suppliers?

In Gyun Baek
National University of Singapore

Mary Lee
University of Utah

ABSTRACT: This study investigates whether disclosure regulation influences firms' contracting decisions with outside suppliers. When contracting with outside suppliers that provide value through their knowledge or expertise, we expect that firms will consider the potential cost of leaked proprietary information provided on whether to contract with outsiders on professional services or rely on in-house experts. We use contracts between publicly traded U.S. firms and patent law firms to test our hypothesis, using a quasi-natural experiment that influences the costs of contracting with a patent law firm (i.e., potential information leakage) while holding constant the benefits of the contract (i.e., knowledge gained). As expected, firms that face decreased (increased) potential costs associated with the change in the underlying information environment are more (less) likely to contract with a patent law firm. Further, we find that the change in the propensity to contract with a patent law firm is more (less) pronounced for firms facing weaker (greater) technological competition. Taken together, our evidence supports the notion that changes in the information environment due to changes in disclosure regulation affect firms' incentives to contract with outside suppliers.

Session 2.07: MANAGERIAL TOPICS IN ANALYTICAL RESEARCH
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Subjective Leading Indicator Variables and Long-Term Investment

Jonathan Glover
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Wei Li
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Hao Xue
Duke University

ABSTRACT: In this paper, we investigate the economic relationship between subjective (non-contractible) leading indicator variables (LIVs) and long-term investment in a two-period short-term contract setting. There is a hold-up problem with respect to the long-term investment, but the agent's superior information about the successfulness of the investment creates an information rent that mitigates the hold-up problem. The LIV improves the second-period contract efficiency but may discourage ex ante investment incentives. We find that the informativeness of the LIV is not sufficient to determine the usefulness of the LIV, and the bias in the LIV (i.e., type I or II error) alone may determine the usefulness of the LIV. Viewed as a design problem, the optimal LIV is downward biased: always reporting failures accurately and sometimes reporting successes as failures.

Session 2.07: MANAGERIAL TOPICS IN ANALYTICAL RESEARCH
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

The Effect of Career Concerns on Team Assignment

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Ludwig-Maximilians-Universitaet

ABSTRACT: We study the effect of career concerns on team assignment in a setting where the principal assigns multiple agents of different type to project teams. In our model, agents have explicit effort incentives from performance-dependent compensation contracts and implicit effort incentives from career concerns. We find that the characteristics of the available performance-related information are important determinants of organizational design. For example, the principal prefers uniform teams over mixed teams if soft information about the agent's ability is noisy.

Session 2.07: MANAGERIAL TOPICS IN ANALYTICAL RESEARCH
DATE: FRIDAY, JANUARY 7, 2022
TIME: 3:30 PM - 5:00 PM PST

Financial Transparency, Internal Controls, and Impression Management

Abhishek Ramchandani
The University of Texas at Austin

ABSTRACT: There has been a movement towards financial transparency within firms. Transparency is said to boost firm profitability by motivating employees. I provide a novel mechanism for why financial transparency motivates employees. My model predicts that financial transparency induces greater productive investment from the decision-makers. This is due to their desire to manage the employee's impression of his productivity. I also introduce a novel benefit of financial transparency by showing that the greater investment decreases the need for costly internal controls.

Session 3.02: SUBJECTIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Narrative Feedback in Subjective Performance Evaluations: Do Ratings Change the Narrative?

Kyle Stubbs
Utah Valley University

ABSTRACT: Several high-profile companies have removed subjective performance ratings from their performance management processes leaving only narrative evaluations. Using an experiment, I test theory on motivated reasoning to learn how simultaneously providing a performance rating affects the narrative evaluation supervisors provide to employees in the presence of directional goals. I predict and find that the favorability of narrative evaluations is influenced by directional goals, but the effect of those directional goals on narrative evaluation favorability is reduced when supervisors also provide a numerical rating of the employee's performance. Numerical ratings appear to be more resistant to directional goals which then constrain the effect of directional goals on narrative evaluation favorability. I extend the performance evaluation literature by investigating the relationship between two forms of subjective evaluations: ratings and narratives. Also, I provide cautionary evidence to firms that have removed or are considering removing subjective performance ratings from their performance management systems.

Session 3.02: SUBJECTIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Examining the Benefits of an Open Reporting Environment in Aggregated Budget Settings

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Wioleta C. Olczak
Marquette University

Joel Owens
Portland State University

Ke Xu
Siena College

ABSTRACT: Many organizations adopt open reporting environments to promote information transparency among employees in pursuit of benefits from information-sharing and coordination. Prior studies in participative budgeting examine the effect of an open reporting environment in disaggregated budget settings, where subordinates submit individual budget reports to a superior. In this study, we investigate the effect of reporting environments in a setting where subordinates' reports are aggregated together to form a single report to be submitted to the superior. Using an experiment, we find that, in an aggregated budget setting, misreporting is significantly lower under an open reporting environment compared to a closed reporting environment. However, we do not find this effect in a disaggregated budget setting. We further provide evidence that the decrease in misreporting is driven by a change in subordinates' empirical expectations of honest reporting among the group. Our results suggest that organizations can benefit significantly by instituting or promoting information transparency through the organization when budgets are the product of reports from multiple subordinates.

Session 3.02: SUBJECTIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Narrative Reporting in a Team Environment

Jeremiah Bentley
University of Massachusetts Amherst

Conner R. Blake
University of Massachusetts-Amherst

ABSTRACT: In this study we examine the effect of narrative reporting and subjective performance-based incentives on operating distortion in a team setting. We manipulate narrative reporting type as individual, team lead, or absent and incentive type as individual bonus or team bonus. We find that the documented effect of individual narrative reporting when employees receive individual bonuses is robust in a team setting. In addition, we find that team lead narrative reporting can serve as an efficient substitute for individual narrative reporting when employees are given individual bonuses. Boundary conditions are identified, as we find that team bonuses mitigate the operating distortion decreasing effects of both types of narrative reporting, except for when employees have strong trust in their team lead and there is team lead narrative reporting.

Session 3.03: TOP EXECUTIVE PERFORMANCE AND PAY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Corporate Culture and the Design of CEO Compensation Contracts

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Tilburg University

Dennis Campbell
Harvard Business School

Zhifang Zhang
Warwick Business School

ABSTRACT: We examine how corporate culture – in the sense of shared beliefs and values – is associated with the design of CEO compensation. While theories and evidence suggest that strong corporate culture can function as a social control and induce interest and preference alignment, it is unclear whether and how strong corporate culture may be related to the design of executives' incentive compensation. Using a text-based measure of corporate culture, we find that strong corporate culture is associated with lower levels of CEO compensation and lower (higher) percentages of variable (fixed) pay. Further, we find that these associations are driven by the lower levels of equity pay provided by strong-culture firms to their CEOs. We also find that strong-culture firms tend to adopt more non-financial performance measures and be more selective in choosing peer groups. Our paper contributes to the broad, and to date largely separate, literatures on both corporate culture and CEO compensation by providing the first systematic evidence that the strength of corporate culture is an important consideration in understanding differences in the design of CEO incentives across firms.

Session 3.03: TOP EXECUTIVE PERFORMANCE AND PAY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Under Pressure: Overproduction by Newly Appointed CEOs and Organizational Misconduct

Jan Lampe
WHU - Otto Beisheim School of Management

Utz Schaeffer
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Daniel Schaupp
WHU-Otto Beisheim School of Management

ABSTRACT: We investigate the effect of overproduction by newly appointed CEOs on employment- and safety-related organizational misconduct. Newly appointed CEOs face performance pressure. To manage their reputation and market expectations, they may engage in overproduction to manage earnings upwards. We predict that such overproduction in turn puts employees under pressure, who may respond by “cutting corners” and increasing their workload, resulting in higher organizational misconduct. We further predict that over time, this might lead to changes in social norms within the organization, resulting in an increase of future misconduct and a slippery slope, i.e. an increase of the average severity of future misconduct. Controlling for previous levels of misconduct, we find effects consistent with our predictions for the both the prevalence and severity of future misconduct. Additionally, we find evidence for the presence of a slippery slope. In additional analyses, we show results for situations in which CEO pressure may have a differential effect on social norms.

Session 3.03: TOP EXECUTIVE PERFORMANCE AND PAY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Executive Sessions, Director Communications, and CEO Turnover

Yijing Jiang
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ABSTRACT: This paper examines whether the mandating of executive sessions in corporate boards improve CEO turnover-performance sensitivity. Corresponding to the corporate scandals in the early 2000's, in 2003, NYSE and NASDAQ set requirements for listed firms to schedule regular executive sessions, where independent directors meet among themselves without the presence of the management. Consistent with the theories on board communications and decision-making, we find that mandating executive sessions improves CEO turnover-performance sensitivity for firms that didn't voluntarily practice executive sessions in the pre-mandate period. Further, consistent with predictions, the effect of executive sessions is stronger for firms with more intangible assets, for firms with more long-tenured independent directors, and weaker for firms in high litigation risk industries. Lastly, in the post-mandate period, there exists an inversed U relationship between executive session practice intensity and CEO turnover-performance sensitivity. Overall, the findings reveal to us the effect of director executive sessions, a heretofore unstudied corporate governance mechanism.

Session 3.04: TRANSPARENCY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Peer Evaluations: The Effects of System Design and Outcome Transparency on Employee Effort

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Alexandra Van den Abbeele
KU Leuven

ABSTRACT: In this paper, we examine whether employee effort can be incentivized by different types of peer evaluations and whether the efficacy of the system depends on the extent to which the outcomes of the peer evaluations are transparent. We develop new theory suggesting that the negative effect of peer ratings found in prior literature (Carpenter et al., 2010) can be mitigated through either peer rankings or by making the evaluation outcomes transparent. We collect data through an online 2x2 between-subjects experiment where employees work on an image description task. We manipulate the peer evaluation system as a rating or ranking system and whether or not evaluations are made transparent to peers. Our results suggest that when the outcomes of the peer evaluation are not made transparent, individuals produce a higher number of image descriptions when they evaluate their peers using a ranking system rather than a rating system. We further find that when the outcomes of the peer evaluation are made transparent, individuals produce more image descriptions under a peer rating system relative to a peer ranking system. We find similar results when we correct for the quality of image descriptions. Collectively, we contribute to a better understanding of peer evaluation systems designed to promote employee effort in practice.

Session 3.04: TRANSPARENCY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Managerial Discretion in Promotion Tournaments

Hashim Zaman
Harvard University Business School

ABSTRACT: I design a real-effort experiment to analyze if tournament incentives lead managers to sabotage promotions of their subordinates to prevent future competition for themselves. Additionally, I explore the effectiveness of monitoring and self-reflection as control mechanisms to mitigate sabotage across hierarchy. I find that managers are driven by personal strategic motivations to sabotage promotions of productive subordinates. When subordinates are significantly different in abilities, asking managers to justify their promotion decision leads to a significant reduction in sabotage. However, when promotion candidates have similar abilities, sabotage exists but managers resort to casuistry by giving professional reasons to justify their promotion decisions. I also find that saboteurs take unjust credit for the work completed by their subordinates after sabotaging them regardless of the difference in abilities of promotion candidates.

Session 3.04: TRANSPARENCY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Does Pay Transparency Help or Hurt? Evidence on Employee Motivation

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University of South Carolina

ABSTRACT: The prevalence of pay transparency has grown in recent years, yet there is limited empirical evidence regarding its potential motivational benefits and costs relative to pay secrecy. Using an experiment, our study investigates the effect of pay transparency on employee motivation while considering two important aspects of the context in which relative pay information is typically provided. 1) Pay transparency is embedded in a broader information environment that often includes relative performance information (RPI) via formal performance feedback systems or through informal sources. 2) Pay transparency reveals pay dispersion which can have different causes: performance-based and non-performance-based. Drawing on theory of social comparison and distributive fairness, we predict and find that ultimately, the effect of pay transparency on employee motivation depends on the information that pay transparency reveals. Specifically, although anecdotal evidence and initial research suggest a positive motivational benefit of transparency, we find pay transparency has no motivational effect when it reveals to employees that they are fairly paid or overpaid. However, pay transparency has a negative motivational effect when it reveals to employees that they are underpaid. By highlighting organizational and environmental factors that influence the effectiveness of pay transparency, our study provides insights on the potential benefits and costs of pay transparency, and thus adds value to the on-going debate regarding pay transparency versus pay secrecy.

Session 3.05: QUALITATIVE RESEARCH IN MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Investigating the Differences in Performance Measurement and Control Systems of Global Audit Firms across Countries—Comparative Case Studies from Germany, Italy

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Bocconi University

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Andreas Hoffjan*TU Dortmund University*

ABSTRACT: Research on performance measurement and control systems (PMCSs) in international settings is scarce and even more so in auditing. This is problematic in light of the recent accounting scandals with an international dimension that have brought the issue of audit quality to the forefront of scholarly, political and societal debates. To illuminate on the potential role of PMCS and analyze the differences across countries, we conducted in-depth case studies within the Italian and German subsidiaries of a Big 4 audit firm. Our case studies highlight considerable efforts to globally harmonize PMCSs at the macro-level – e.g., Information Technology (IT) systems and control techniques – in the Big 4 firm analyzed; they are manifested in a global initiative occurring at the time of our field study. This initiative is embedded in broader regulative efforts to standardize audit processes but moreover driven by significant tensions arising from an increasing commercialism. In contrast, we identify remarkable differences at the micro-level of PMCSs – e.g., patterns and styles of using PMCSs. While our German interviewees experience a considerable flexibility and discretion in the execution of their tasks and in the control processes over this execution, our Italian interviewees report focusing much more on strict compliance with the prescribed rules and procedures. Overall, control systems are more akin to enabling systems in the German and to coercive systems in the Italian subsidiary. We associate these findings with differences in the institutional context of both subsidiaries (such as different levels of trust in formal institutions, different degrees of interpersonal trust but also the different actors involved in the auditing process), highlight potential consequences for audit quality and offer avenues for future research.

Session 3.05: QUALITATIVE RESEARCH IN MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Management Accountants and Identity Work: the Emergence of System Partners.

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ABSTRACT: Purpose: This study examines the emergence of a new identity, of accountants during the process of IT technology transformation, which goes beyond business partnership. It unpacks conditions and processes disrupting accountants' identity and how encountered situations are experienced upon which the new identities and roles of system partnership are constructed. Research design: By drawing on liminality and social identity theory, illustrative case study is utilised advance our understanding beyond traditional roles of management accountants as self-concept is continuously shaped by professional, organisational, occupational and individuals' identities. Interviews, documents and observations are key sources of data subjected to rigours analysis and interpretation informed by theoretical framework. Findings: System partnership as an identity is an outcome of identity work experienced intensive period of development shaped by three overlapped processes, which centred around interaction, competencies and identification. These processes facilitated rites of passages of separation from accounting profession, being a liminal for a while between-betwixt switched professions before incorporating into IT community to be identified as system partner. However, these processes are more dynamic and complex than portrayed influenced by accountants' past aspiration as path-dependent.

Session 3.05: QUALITATIVE RESEARCH IN MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

The Role of Predictive Analytics in Making Organizational Futures

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ABSTRACT: Abstract This study investigates the role of predictive technologies in financial forecasting practices. Based on a qualitative case study and by drawing on prior work on the performative capacity of algorithms, this paper sets out to explore the dynamics between forecasting experts and algorithms. Seeing predictive analytics as an "instrument of imagination," the paper analyses the socio-technical dynamics that stabilize algorithm-based accounting information as undisputed facts. Despite the recent data imperative, our analysis reveals how the work of translating uncertain futures into one manageable present is constituted by a constant interplay of forecaster-algorithms interactions and forecaster-forecaster interactions. In this way, we show how forecasting experts draw on interaction networks and modes of foretalk to bring to light local narratives and novel imaginaries about organizational futures, which escape from easy integration in calculative models. Keywords: forecasting, predictive analytics, algorithms, imagined futures

Session 3.06: RELATIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Why Do Companies Use Different Peers for Compensation Benchmarking than for Relative Performance Evaluation?

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ABSTRACT: The literature on relative performance evaluation (RPE) has largely ignored that there are two related, but different sets of peers used in two connected stages of the executive pay setting process: pay benchmarking and RPE. The peers used for benchmarking may differ from those used for RPE. In this paper, we explore why companies use different sets of peers for compensation benchmarking and RPE. We document that out of firms that use peers for both compensation benchmarking and RPE, only 7% of them use the same set of peers, while the remaining of them have at least one different firm in the two peer sets. We find that for RPE purposes, companies tend to drop and/or add peers if the degree of commonality between the benchmarking peers and subject firms are low. We also find that if companies change peer composition they increase the degree of commonality between the subject firm and RPE peers. Finally, abnormal CEO pay is lower if there is higher commonality between the subject firm and RPE peers. In cross-sectional analyses, we find that CEO tenure moderates the efficient choice of peers for RPE while more compensation consultants enhance the efficiency of peer choice for RPE. Overall, our results are consistent with efficient contracting theory in the peer selection for CEO performance evaluation.

Session 3.06: RELATIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Playing It Safe: Relative Performance Evaluation and Peer Imitation

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ABSTRACT: Relative performance evaluation (RPE) ties executives' compensation to the performance of a peer group and has become central part of executives' compensation contracts. We argue that RPE directs executives' attention towards the selected peers and thereby increases the awareness of inter-firm relationships. As executives typically operate in uncertain environ-ments, we predict that RPE induces firms to imitate their peers. Using executive compensa-tion data from the largest U.S. firms from 2006 to 2017, we document that firms imitate stra-tegic practices of RPE performance peers. Moreover, we find that the degree of imitation increases in environmental uncertainty, peer firm similarity, relative performance, and RPE grant size. Our study has important implications for the design of executive compensation contracts and extends our understanding on the role of executives' incentives in shaping cor-porate strategic behavior.

Session 3.06: RELATIVE PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Relative Performance Evaluation and CEOs' Incentives for Strategic Differentiation

Peter Schaefer
Technische Universität München

ABSTRACT: Do CEOs stick with industry-common strategies and avoid differentiating their firms' strategies when their compensation contracts entail relative performance evaluation (RPE)? Our theoretical and empirical findings suggest so. We integrate a CEO's strategic differentiation decision into a moral hazard model. Differentiation can improve firm performance but decreases the exposure to peer-group common risk factors. The model predicts that CEOs of RPE firms will choose a sub-optimally low level of differentiation because RPE protects them from peer-group common risks but not from risks associated with strategies that are innovative to the peer group. Hence, to realize gains from differentiation, shareholders do not fully filter peer-group performance from CEO compensation. Consistent with predictions from our model, we observe empirically that RPE firms' exposure to peer-group common risk increases. We address concerns about factors that jointly affect firms' RPE adoption and future peer-group correlation levels with a two-stage-least-squares procedure. We exploit variance in RPE usage that is exogenously induced by compensation consultancies' distinct styles. The effect of RPE on exposure to peer-group risk is more pronounced if the benchmark in RPE contracts is a specific peer group instead of a broad market index and is less pronounced if benefits from differentiation are likely to be high. Finally, we find that RPE CEOs change their resource allocation strategies and more strongly adapt resource allocation strategies of peer firms.

Session 3.07: THE INTERSECTION OF MANAGERIAL AND FINANCIAL ACCOUNTING IN ANALYTICAL RESEARCH
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Strategic Use of Tone in Disclosures

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ABSTRACT: The tone in the narrative part of annual reports is associated with reactions by capital markets. Managers can thus use the tone strategically in order to influence how information is perceived by the market. Our aim is to study the strategic use of tone in narrative disclosures. In our theoretical model, the manager discloses reports that consist of backward-looking accounting information and a narrative part. The manager can set the tone strategically to maximise the firm value, however the market detects whether previous tones used were too optimistic, too pessimistic, or fair. In a setup with a limited time horizon, the manager will always choose an optimistic tone in the last period. The tone in previous periods strongly depends on the soft information the manager receives, i.e., whether this information is good or bad. To determine whether the soft information is good or bad, the manager will use a threshold that is decreasing in the future soft information, in the proportion of firm profit that the manager receives as compensation, and in the market's adjustment if the manager's tone was chosen unfairly.

Session 3.07: THE INTERSECTION OF MANAGERIAL AND FINANCIAL ACCOUNTING IN ANALYTICAL RESEARCH
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Reliability-Relevance Trade Offs with an Attention-constrained Manager

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ABSTRACT: We study the optimal aggregation of soft components in firms' financial reports if such information is prone to manipulation. In this setting, standard setters face a trade off between relevance and reliability. We extend the existing literature assuming that managers must allocate their scarce attention to learn about the firm value or about aspects of the reporting environment that determine their misreporting costs. In contrast to an exogenous information endowment, accounting aggregation has strategic effects. We show that managerial attention allocation creates a tendency towards more extreme aggregation rules. Our results provide a theoretical foundation for the dichotomous distinction between principles-based and rules-based accounting standards. Moreover, the increasing quality of management information systems supports the implementation of reporting systems which offer managers additional discretion.

Session 3.07: THE INTERSECTION OF MANAGERIAL AND FINANCIAL ACCOUNTING IN ANALYTICAL RESEARCH
DATE: SATURDAY, JANUARY 8, 2022
TIME: 8:30 AM - 10:00 AM PST

Incentive Contracting with Multiple Directorships

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ABSTRACT: A unique feature of the outside director market is that a director usually simultaneously works for several companies. To the best of knowledge, this paper is the first to analytically model the optimal contracting for a director with multiple directorships and document that the relationship between optimal incentives (pay-performance sensitivity) and the number of directorships is always positive, no matter efforts across directorships are substitutive or complementary. The results are innovative to the literature and offers important policy implications in the regulations of director market. It has been argued in the policy debate that busy boards may be detrimental as directors have limited time and efforts. However, this paper highlights another potential deadweight loss for the society. For directors with many directorships, the companies need to offer too high incentives to compete for directors' efforts, leading to higher risk premia and welfare loss.

Session 4.02: SOCIAL RESPONSIBILITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

The Relation between Cash Reserves, Governance, and Donations in Nonprofit Organizations

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ABSTRACT: Cash reserves enable nonprofit organizations to absorb financial shocks and meet unexpected demand for charitable services. Large cash holdings, however, provide managers with an opportunity to use funds to accrue private benefits, and excessive cash levels may negatively influence donors' contribution decisions. While an extensive literature examines cash holdings in for-profit firms, few accounting studies address the determinants and consequences of cash reserves in nonprofits (Core et al. 2006; Gore 2009). This study investigates whether corporate governance mechanisms, which are designed to limit managers' opportunistic behavior, are associated with NP managers' ability to build cash reserves. It also examines how excessive cash reserves influence donors' decisions to contribute to a charity. Results indicate that cash reserves are positively associated with three proxies for corporate governance (board size, board independence, and board monitoring intensity) and negatively associated with the presence of an internal control deficiency. We also find that excessive cash holdings are negatively associated with future donations, after controlling for governance. Our results are robust to alternative specifications designed to address endogeneity. Accordingly, the findings suggest that stakeholders allow better governed nonprofits to maintain larger cash reserves, and donors withhold contributions from charities that are likely to reserve their donations for future use rather than deploy them in the current period. This study contributes to research addressing the role of governance in controlling nonprofit managers' actions and provides new evidence on donors' motivations for contributing to a charity.

Session 4.02: SOCIAL RESPONSIBILITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Socially Oriented Misreporting in Mission-Driven Firms

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ABSTRACT: In this paper, we use a sample of social mission-oriented firms in Korea to examine the factors that influence social performance misreporting. We find that CEOs' mission orientation is positively associated with overreporting of social performance, indicating that incentives to expand the social mission with more funding (benevolence channel) dominate the managers' self-concept of honesty (honesty channel). Moreover, we document that when the main beneficiary of social bonuses is expected to be a firm's employees (firm's mission), mission-oriented managers are less (more) likely to engage in social misreporting, indicating that the honesty channel (benevolence channel) dominates in such a setting. We also show that mission-oriented managers are more likely to engage in social misreporting in situations of financial distress, suggesting that the benevolence channel prevails over the honesty channel in these cases. Lastly, we demonstrate that while a CEO-centered decision-making process increases managers' social misreporting, strong corporate governance can deter such behavior.

Session 4.02: SOCIAL RESPONSIBILITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

The Role of Skills Development and Relative Performance Information to Support Underperforming Agents

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ABSTRACT: We study management practices used by principals to support underperforming agents. Given the complementarities between management practices and incentive systems, we argue that principals can support underperforming agents through skills-development. We examine what information principals use to decide which underperforming agents to support. To assure positive returns to investments, we expect principals to use relative performance information and only invest in agents who miss the target but outperform peers. We exploit a unique setting where uniform targets are used for some performance measures. Uniform targets are equal for all agents and therefore do not take into account heterogenous conditions that agents face. We find that principals invest in the skills development of agents to support agents, but only if performance is below the target but better than peers. We also show that this management practice consequently help underperforming agents to improve performance on uniform targets.

Session 4.03: COVID AND MANAGEMENT CONTROL
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Balancing Controllability for Understanding Ambidexterity

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ABSTRACT: In this paper, I extend the organizational design literature by examining how the ambidextrous strategy choice is affected by the ability to resolve the ambidexterity paradox caused by this strategy. Based on the seminal papers by Antle and Demski (1988) and Feltham and Xie (1994), I argue that the ability to resolve the ambidexterity paradox—effort allocation for increasing productivity while simultaneously learning fundamentally new managerial abilities—depends on the adherence versus non-adherence to controllability, where controllability depends on the informational properties of congruence, sensitivity, and noisiness of performance measures to managerial choices. Using proprietary survey data from a sample of 118 managers at a business-unit level, the empirical results show that, if firms motivate exploitation (exploration) efforts, then high (low) sensitivity, precision, and congruity, are perceived. The results also show that a balanced interaction of exploration–exploitation shifts the tradeoff towards adherence to controllability. Overall, these findings are consistent with the argument that firms design their strategic decision-making around the controllability underlying incentive contracts.

Session 4.03: COVID AND MANAGEMENT CONTROL
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

The Effects of the COVID-19 Pandemic on Action Controls

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University of Bern

Arthur Posch
University of Bern

ABSTRACT: In this paper, we investigate how management control systems that are based on action controls are affected by an exogenous shock that introduces high uncertainty about how tasks should be executed. Specifically, we analyze how the interrelations between accountability and job autonomy as well as between accountability and rules for nurses are affected by the first COVID-19 wave. We analyze our research question by collecting two-wave survey data among nurses from public Swiss hospitals. We predict and find that the exogenous COVID-19 shock weakens the substitutive interrelation between accountability and job autonomy when the increase in uncertainty about appropriate task execution is large and that this effect is attenuated when the increase in uncertainty is small. We also predict and find that the complementary interrelation between accountability and rules becomes weaker when the increase in uncertainty about task execution is small, but this effect is attenuated when the increase in uncertainty is large. The underlying theoretical reasoning in both cases is that when uncertainty about task execution increases, the enforcement purpose of accountability loses relevance, but an (additional) learning purpose of accountability gains importance. Our study contributes to the understanding of how action controls are used in settings in which results controls at the individual employee level are irrelevant. We also add to the complementarity literature, by providing evidence that time can moderate interrelations between control practices.

Session 4.03: COVID AND MANAGEMENT CONTROL
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Budgeting and Employee Stress in Times of Crisis: Evidence from the Covid-19 Pandemic

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ABSTRACT: Studies have shown that that management control practices change in response to global crises as firms attempt to manage the accompanying uncertainty and financial strain (Asel, Posch & Speckbacher, 2010; Becker, Mahlendorf, Schäffer & Thaten, 2016; Janke, Mahlendorf & Weber, 2014). The purpose of this study is to develop more comprehensive insights into the behavioral effects that stem from such changes. Using survey data from business unit managers in the Netherlands, our results show that firms tighten their budget controls in response to a negative impact of Covid-19. In turn, the tightening of budget controls is positively associated with increases in employees' emotional exhaustion because of increased perceptions of role ambiguity and role conflict. We furthermore find that the effect of tighter budget controls on role ambiguity is mitigated when managers perceive that the budget controls are used in an enabling way prior to the crisis, but heightened with increasing trust in superiors. These results suggest that if firms use their budgets to help managers acquire a deeper understanding of their tasks and responsibilities, they are better able to respond to a negative shock and the accompanying tightened budget controls, which helps mitigate the undesired behavioral response of increased role ambiguity and emotional exhaustion. Our findings also suggest that trust, which usually is beneficial to organizations, has a 'dark' side in that managers will push themselves harder to reciprocate the trust they have in their superiors, thus, increasing their stress in the form of role ambiguity and, in turn, emotional exhaustion.

Session 4.04: PERFORMANCE MANAGEMENT
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

The Effect of Relative Performance Information Level on Team Performance

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ABSTRACT: In team tasks, firms face the challenge of designing control systems that effectively motivate both effort at the individual level and coordination at the team level. This study investigates, via an experiment, how the level of relative performance information (no RPI versus individual RPI versus team RPI) interacts with task interdependence in influencing team performance. We predict and find that when task interdependence is absent, both individual RPI and team RPI have a positive effect on team performance compared to when no RPI is provided. In contrast, we find that when task interdependence is present, individual RPI has a negative effect on team performance and team RPI has a positive effect on team performance compared to when RPI is not provided. The evidence further shows that, when task interdependence is present, individual RPI leads to lower team performance because individual RPI hurts coordination among team members without inducing higher individual efforts and team RPI leads to greater team performance because team RPI induces greater individual efforts and sustains an effective conversion of individual efforts to team performance. Our results expand our knowledge about how and why the RPI level influences team performance.

Session 4.04: PERFORMANCE MANAGEMENT
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

To Give Up or Not to Give Up: The Effect of Contract Frame and Target Difficulty on Effort Provision and Performance

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ABSTRACT: Bonus contracts are often used in practice but can create incentives for gaming. Penalty contracts are growing in popularity as they can provide the benefit of motivating greater effort than bonus contracts. However, we do not have a clear understanding of how individuals are motivated by penalty contracts at different target levels in relation to bonus contracts. We experimentally evaluate the effects of contract frame and target difficulty on effort provision and performance. Building from Prospect Theory, we predict and find that subordinates working under a penalty contract show greater giving up behavior than those working under a bonus contract when given a high target, but not with a low target. Notably, however, subordinates who do not give up show higher performance under a penalty compared to a bonus contract when given a high target, but lower performance when working towards a low target.

Session 4.04: PERFORMANCE MANAGEMENT
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Promote Internally or Hire Externally? The Role of Gift Exchange and Performance Measurement Precision

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ABSTRACT: Managers often face the difficult choice between promoting an internal employee and hiring an external candidate. Using an interactive experiment, we examine drivers of managers' promote/hire decision and internal employees' behavior before and after that decision. Consistent with gift exchange theory, employees exert more costly effort closer to the promote/hire decision, and managers respond by promoting those who exert high effort, despite their inferior ability compared to the external candidates. Results suggest that managers view employees' past effort as both a gift to reciprocate and also a signal of their future effort. Moreover, we find that managers are more likely to promote internally rather than hire externally under a less precise performance measurement system, and this result is driven by managers who observe low employee output. Finally, many promoted employees continue to exert high costly effort to benefit their managers after promotion, despite no future economic benefits from doing so.

Session 4.05: THE FUTURE AND PAST OF MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Firm Responses to the Content and Emotions Expressed in Social Media Word of Mouth

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ABSTRACT: This study examines the influence of content and emotional feedback expressed through social-media channels on 1) firm revenues and consumer purchasing decisions, 2) firm quality outcomes, and 3) firm operational and resource allocations. Using psychology theory as a framework and textual analyses methods, I classify web scrapings of millions of social media posts for 19 US airlines for the 2007–2019 period based on its cognitive content and emotional type. I identify social media word-of-mouth (SWOM) feedback about five quality-related themes based on their emotional type. The results show that negative and non-negative quality-related SWOM impact consumer and firm outcomes. Firm revenues and consumer volume decrease (increase) following negative (non-negative) quality-related SWOM. Firms improve quality outcomes following negative quality-related SWOM. Firms also alter the level of operations, change pricing strategies, and enhance quality-cost investments following quality-related emotional SWOM. This research highlights the usefulness of SWOM as a source of customer feedback for firms and its decision-facilitating role and provides evidence that firms incorporate both the content and emotional type of customer feedback in their management control design.

Session 4.05: THE FUTURE AND PAST OF MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

(When) Does Human Intervention in Predictive Analytics Judgments Help Or Hurt?

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Karen L. Sedatole
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ABSTRACT: With the ever-increasing use of predictive analytics in practice, understanding the conditions under which predictive analytic models and human judgment can best work together is critical for the design of effective management control systems. This study utilizes proprietary firm data from an auto-parts retailer to examine questions unaddressed by prior research in augmented decision-making where human judgment jointly operates with predictive analytic models. Specifically, we consider how a model's predictive ability weakness and an organization's decision right design choices impact the quality of human judgment relative to predictive analytics alone. Based on theory from research on managerial intuition, we predict and find that human judgment is able to take advantage of model predictive ability weakness associated with greater environmental uncertainty and limited historical data. However, consistent with literature on the detrimental effects of certain forms of accountability, we find that model analysts faced with outcome specific accountability tend to comply with views held by their evaluators at the expense of judgment quality. Thus, we provide empirical evidence of the conditions under which manager intuition can be superior to predictive analytic models but decision right control choices around accountability can affect the value of human judgment in augmented decision-making.

Session 4.05: THE FUTURE AND PAST OF MANAGEMENT ACCOUNTING
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

A Historical View of Management Accounting in the Early Years of Ford Motor Company

Yvette Lazdowski
University of New Hampshire at Manchester

ABSTRACT: Management accounting methodology was used right from the inception of the Ford Motor Company in 1903 and was pivotal in the analysis of data to make sound business decisions. With the introduction of the Model T in 1908 and its enormous sales through 1927, evidence suggests that managerial accounting was a major proponent of its commercial success. Two leading financial managers, James Couzens and Norval Hawkins, prepared numerous documents and implemented operational methods based on the varied reports, including analysis of production costs, sales data, and segment reporting. This paper reviews some of this original archival data and provides analysis of the information, as well as a comparison of the management accounting techniques used by early Ford managers to today's typical application of these principles.

Session 4.06: PERFORMANCE EFFECTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Do Supervisors Reward Observable Luck?

Razvan S. Ghita
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ABSTRACT: Using an experiment, I examine whether middle-level supervisors reward observable good and bad luck in their evaluation decisions, and how this affects employee behavior. Although the controllability principle asserts supervisors should not reward observable luck, I find supervisors reward observable luck because they find it fair to do so. Further, I predict that employees' self-serving fairness perceptions cause supervisors to reward good luck more than they punish bad luck. I find the opposite. Although supervisors anticipate employees' self-serving fairness perceptions, supervisors punish bad luck more than they reward good luck. Employees' contribution is lower when supervisors reward observable luck but only after employees learn how supervisors evaluate them through repeated interactions. My results suggest fairness concerns can diminish one of the intended benefits of allowing discretionary evaluations. Specifically, fairness concerns can prevent supervisors from using all available non-contractible information to decrease the weight of luck in employees' compensation.

Session 4.06: PERFORMANCE EFFECTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

I’m Working Hard, but It’s Hardly Working: Negative Effects of Effort Intensity on Employee Behavior

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Utah Valley University

Todd A. Thornock
University of Nebraska-Lincoln

ABSTRACT: Increasing employee effort is a hallmark managerial goal and is a common topic of research in managerial accounting. We examine the consequences of increased employee effort in a setting where increased effort does not necessarily result in increased performance. Specifically, we conduct an experiment where participants act as employees and complete a real-effort task in which meeting a challenging performance target results in a substantial bonus. We find that for employees who do not meet the target, greater effort is correlated with increased misreporting as well as several behaviors indicative of poor effort quality. Our results are relevant to managers who could benefit from considering potential drawbacks of incentivizing effort that may not translate into successful task completion and target achievement.

Session 4.06: PERFORMANCE EFFECTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Performance Effects of Insulating and Non-Insulating Cost Allocations

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ABSTRACT: Despite improvements in the ability to track or trace costs to individual business units, firms still often allocate significant amounts of common costs between units for several purposes, including decision-making and control. Thus, the selection of appropriate allocation bases and methods represent important control choices for firms. One decision firms must make in this regard is whether allocations will be insulating or non-insulating. Non-insulating cost allocations distribute costs ex post based on same-period relative performance, creating a contemporaneous interdependency between managers. Conversely, insulating cost allocations distribute costs ex ante and are independent of relative performance during the period. Theory suggests this fundamental difference is likely to affect managers' perceptions and behavior in important ways. In an experiment, we predict and find that performance is lower when managers are allocated common costs via a non-insulating cost allocation as compared to when costs are allocated via an insulating allocation. We also predict and find that, under an insulating cost allocation, performance is lower when a negative uncontrollable event occurs that reduces the return to managers' effort. However, the shock-absorbing, interdependent nature of the non-insulating allocation leads to performance increases in the presence of such an event. Our study helps inform managers of some of the costs and benefits of different cost allocations.

Session 4.07: CEO COMPENSATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

CEOs Under Dismissal Threat: The Case of Setting Stretch Earnings Guidance

Doron Hadass
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Dan Weiss
Tel Aviv University

ABSTRACT: This study examines earnings guidance set by CEOs under dismissal threat. Prior relative performance evaluation studies document that CEOs tend to be dismissed because the board of directors does not filter out uncontrollable common shocks when making CEO turnover decisions. In such cases, we find that CEOs respond to the threat by setting stretch earnings guidance, i.e., aggressive and difficult-to-achieve earnings forecasts to delay or avoid their replacement. Setting stretch earnings guidance is shown to be effective in delaying CEO turnover. Notably, further evidence partially suggests strategic behavior in announcing stretch earnings guidance resulting in a tendency to miss it. The findings extend the management earnings forecasts literature by highlighting a compelling setting, in which self-interested CEOs set stretch earnings guidance to delay their replacement and mislead the board of directors. The findings contribute to expanding our understanding of CEO replacement decisions, which is one of the most important decisions made by the board of directors. Particularly, we extend the relative performance evaluation and CEO turnover literature by demonstrating that CEOs comprehend the threat of being replaced when industry-level performance is bad and take action to suspend their turnover.

Session 4.07: CEO COMPENSATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Giving to get: how self-serving interests of CEO directors drive up CEO pay

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KU Leuven

Liesbeth Bruynseels
KU Leuven

Eddy Cardinaels
Tilburg University

ABSTRACT: Prior research offers preliminary evidence that outside CEO directors on a firm's board of directors are associated with higher CEO compensation. However, research to date has not looked into the various incentives of these outside CEO directors to grant the CEO higher compensation. In this study, we focus on the self-serving incentives of CEO directors on compensation committees. More specifically, we study whether the presence of CEO directors on a firm's compensation committee drives compensation upwards because of peer group benchmarking practices at the CEO director's home firm. Our results show that the shorter the path length based on peer group networks between a CEO director's home firm and the firm where she sits on the compensation committee, the more likely it is that CEO compensation is biased upward in the latter firm. This effect is more pronounced for greedy CEO directors. With this study, we provide direct evidence of a potential conflict of interest caused by compensation benchmarking when active CEOs sit on other firms' compensation committees.

Session 4.07: CEO COMPENSATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 10:30 AM - 12:00 PM PST

Compensation for Generalist versus Specialist CFOs

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University of Kansas

Joshua Gunn
University of Pittsburgh

Chan Li
University of Kansas

ABSTRACT: Using hand-collected data, we create a measure that classifies CFOs' lifetime work experience as contributing to relatively more general human capital or specialized human capital. We find that total compensation is increasing (decreasing) in CFOs' general (specialized) human capital. Overall, our results are consistent with generalist CFOs receiving a compensation premium, which is driven by their higher productivity compared to specialist CFOs. We conduct several analyses aimed to rule out alternative explanations for this effect (e.g., uncertainty of CFO-firm fit, relocation costs and equity forfeiture during firm switches, and CFO risk aversion). Additional analyses suggest that, CFOs with more general human capital secure a larger pay slice than CFOs with more specialized human capital and, unlike generalist CEOs, generalist CFOs are hired by smaller firms.

Session 6.02: MANAGERIAL DECISIONS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Real Effects of Internal Information Allocation: Evidence from a Field Experiment

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University of Mannheim

Jannis Bischof
University of Mannheim

ABSTRACT: The study examines the effects of changes in the allocation and precision of internal cost information on operational performance. We conduct a randomized field experiment at a medium-sized service company. In the experiment, unit managers receive previously unavailable information about the time resources consumed by individual activities. The information treatment increases both the volume of decision-useful information and the complexity of this information, i.e., the costs of information processing. In the short run, we document an overall decrease in efficiency over the experimental period. Consistent with the notion that short-term adjustment costs outweigh the benefits from improved decision-making, cross-sectional analyses suggest that this negative performance effect is entirely attributable to activities with high information asymmetries and units with low-ability team leaders. Over a longer time horizon, non-experimental evidence shows a catch-up effect across all units and activities. In particular, we observe learning effects for low-ability team leaders, which suggests that cost accounting experience can act as a substitute for ability. Overall, our results suggest that an increase in the volume and precision of internal cost information can generate long-term operational improvement but comes at the cost of short-term frictions from the processing of more complex information.

Session 6.02: MANAGERIAL DECISIONS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Reasonable versus Rational: The Effects of Judgment Standards on Managerial Decisions

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University of Wisconsin - Madison

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ABSTRACT: Prior research in psychology indicates individuals hold an implicit theory about what it means to behave rationally or reasonably. We rely on that research to examine whether individuals respond to guidance to behave rationally or reasonably in predictable ways. To examine this research question, we conduct two experiments modeled after well-known prior research in management accounting. First, in a budgeting setting, we find that managers guided to report rationally misreport more than those guided to report reasonably. Second, in a subjective performance evaluation setting, we find that managers guided to behave rationally are less likely to compensate subordinates for bad luck than managers guided to behave reasonably. Our results support the argument that different standards of judgment can be applied in different contexts, and suggest that firms can direct employee behavior according to preferred judgment standards using relatively low-cost instructional guidance.

Session 6.02: MANAGERIAL DECISIONS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Taking the Blinders Off: The Behavioral Effects of Process versus Goal-Oriented Accountability on Managerial Decision Quality

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Sichuan University

Xiqiong He
Southwestern University of Finance and Economics

Jordan Samet
University of Illinois Urbana-Champaign

Jason Kuang
Georgia Institute of Technology

ABSTRACT: Process accountability is widely used to motivate individuals in complex and subjective tasks as it reduces the effect of noise on their motivations while still promoting sufficient effort. Whereas past research demonstrates this benefit, we bring to light a negative consequence of process accountability. Specifically, we predict and find that holding managers accountable to their process in a forecasting and investment decision task leads to a narrow conceptual focus that makes them susceptible to information-processing biases, negatively affecting decision quality. Further, we demonstrate that modifying the accountability requirement by drawing attention to the broader reason for performing the task (i.e., goal-oriented accountability) mitigates the influence of the bias. We also find supporting evidence for our theory, suggesting that goal-oriented accountability triggers a more comprehensive and longer-term forecasting approach than that of process accountability.

Session 6.03: PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

The Effects of Real-Time Feedback on Effort and Performance: Evidence from a Natural Quasi-Experiment

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Daniel Schaupp
WHU-Otto Beisheim School of Management

ABSTRACT: New digital technologies allow companies to provide managers with performance feedback in real-time. We provide evidence on the causal effects of such real-time feedback on individual effort and the quality of initial (pre-feedback) and final (post-feedback) decisions by exploiting a natural quasi-experiment in the setting of professional soccer referees. Our results suggest that experienced agents decrease their effort under real-time feedback without harming the quality of their initial decisions. This results in better final decisions because real-time feedback allows agents to correct wrong initial decisions upon feedback. In contrast, less experienced agents increase their effort, but make worse initial decisions. Upon feedback, they manage to compensate for their increased number of wrong initial decisions, but see no improvement in the quality of final decisions. Furthermore, we document that the effects of real-time feedback change over time as agents gain more experience under this system.

Session 6.03: PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Rating Behavior in Multi-Rater Evaluation Systems: Mutual vs. One-sided Ratings and Supervisor Adjustments

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ABSTRACT: In this paper, we examine rating behavior in multi-rater performance evaluation systems. Specifically, we study mutual rating relationships, whereby two employees rate each other contemporaneously under a multi-rater system. We use a proprietary dataset from an online platform retailer to show that demographic similarity (e.g., similar tenure or same nationality) and organizational proximity (i.e., same supervisor or same department) are positively associated with the likelihood of a mutual rating relationship. In addition, we show that mutual ratings are higher on average, with the evidence suggesting this is at least partly the result of reciprocal "uprating" behavior. Supervisors appear to be cognizant of the potential for bias in mutual ratings, as we find that they place relatively less (implicit) weight on mutual ratings vis-à-vis one-sided ratings when arriving at their overall assessment of an employee. Moreover, rating requests are more likely to be rejected by supervisors before the actual rating process if they would result in a mutual rating relationship, though this is less pronounced in the presence of organizational proximity between employees.

Session 6.03: PERFORMANCE EVALUATION
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Multi-Rater Performance Evaluation and Calibration: Managing Multiple Opinions

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Tulane University

Maximilian Margolin
RSM Erasmus University

Daniel Schaupp
WHU-Otto Beisheim School of Management

ABSTRACT: This paper studies the mechanisms and functions of multi-rater performance evaluation and calibration. Specifically, we examine how supervisors use discretion to place different weights on different multi-rater assessments and how calibration committees make decisions to adjust these employee performance evaluations. Using data from an e-commerce company, we document that supervisors use their discretion to place weights on multi-rater assessments consistent with the aim to improve the informativeness of employee performance evaluations by emphasizing (deemphasizing) assessments provided by more (less) informative raters. However, we find that these weighting efforts can be constrained by a high information load placed on the supervisor and the presence of a personal supervisor-employee relationship. Furthermore, we document that calibration committees consider supervisors' weighting efforts and supervisors' written argumentation in their decisions to adjust employee performance evaluations and focus their efforts in particular on cases with suspected supervisor bias.

Session 6.04: GENDER DIVERSITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Senior Leadership over Financial Reporting: Does Female Representation on the Board Impact the Association between Executive Gender and Reporting Failures?

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Daniel Russomanno
University of Arizona-Tucson

ABSTRACT: We test whether gender relates to financial reporting failures by simultaneously examining the impact of female representation at the board (i.e., the audit committee) and executive officer (i.e., the CEO, CFO, and executive accountant) levels. Univariate tests indicate restatements occur more often when the audit committee excludes females, suggesting reporting benefits to gender diversity on the audit committee. In multivariate analyses, we fail to find evidence of an association between restatement likelihood and the gender of the CEO or CFO regardless of audit committee gender diversity. In contrast, we find robust evidence of a reduction in restatement likelihood associated with female executive accountants in firms that exclude females from the audit committee. Accordingly, this evidence is consistent with reporting benefits to gender diversity in a position with direct responsibility over financial reporting (i.e., when a female holds the executive accountant position). Moreover, this evidence is consistent with role congruence theory and critical mass theory which predict female executives in corporations adhering to strong gender stereotypes are more likely than males to feel pressure to avoid failures that would confirm biases regarding their competence.

Session 6.04: GENDER DIVERSITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

"Office Glamour Work vs. Office Housework": Gender Differences in Participation in and Subjective Evaluation of Non-Core Job Responsibilities

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Isabella Grabner
WU Vienna University

Karen L. Sedatole
Emory University

ABSTRACT: While the proportion of women at entry level of organizations has grown, women remain underrepresented in managerial and executive positions. While many attribute this to the "the glass ceiling", the point on the career ladder beyond which women are not promoted, we argue that one important factor influencing unequal career progression is early career task allocation and evaluation, and in particular the unequal participation in and reward for tasks that can be classified as office glamour work and office housework. While both office glamour work and housework are important for the success and culture of a company, on an individual level, they differently impact performance evaluation, career progression, and compensation. We examine gender differences in who tends to perform these different types of tasks, and how taking on these tasks is evaluated. Using our unique access to a financial services firm, we find that women are less likely to participate in glamour work projects, and more likely to take on office housework projects. While glamour work positively affects performance evaluation outcomes for both men and women, only men are rewarded for office housework. Overall, our findings suggest that unequal task allocation and evaluation contribute to explaining lower promotion rates of woman across the hierarchy.

Session 6.04: GENDER DIVERSITY
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Inclusive Managers

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ABSTRACT: Many organizations acknowledge that inclusiveness, or the practice of directly engaging colleagues in activities, is becoming increasingly important as businesses become more complex. However, inclusive managers remain significantly understudied in large-sample archival research, largely because inclusiveness is difficult to measure. We overcome this barrier and develop a measure of managers' inclusiveness by observing the interactions among corporate managers during conference calls, the only circumstance where interactions among managers can be observed for a large sample of firms. We examine inclusive managers' characteristics, individual career outcomes, leadership team outcomes and firm outcomes. We find that inclusive managers are more likely to be female and older. They are more likely to be promoted to CEO, and a more inclusive management team is more likely to retain all managers. In addition, firms where inclusive managers are promoted to CEO experience more positive stock market reactions to the promotion announcements.

Session 6.05: NONPROFIT AND GOVERNMENT (VIRTUAL)
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Nonprofit Board Network and Total Contributions

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ABSTRACT: We utilize two theoretical frameworks to explore the impact of nonprofit board networks on the ability to raise funds. Consistent with an information sharing perspective, we find that having more network connections leads to higher contributions. However, consistent with a finite resource perspective, we find that a higher connection intensity leads to lower contributions. Our additional tests suggest that the negative impact of high connection intensity is magnified for nonprofits with smaller size, lower program efficiency ratio, and worse corporate governance. Our findings suggest that the impact of nonprofit networks on total contributions is complex and not one-sided.

Session 6.05: NONPROFIT AND GOVERNMENT
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Public Integrity, Monitoring, and Budget Ratcheting in Government Organizations

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ABSTRACT: Using data from central government agencies in Korea, we examine the effect of public integrity and monitoring on asymmetric budget ratcheting in government organizations. We find that asymmetric budget ratcheting is more pronounced when agencies have higher level of public service integrity. This finding is consistent with the existence of separating contracts, where superiors allocate more (less) budgets to agents with high (low) public integrity. We also find evidence of a greater degree of asymmetric budget ratcheting when monitoring by superiors is more intense, supporting the notion that a strong monitoring capability will facilitate the superior's evaluation of the truthfulness of the agent's claim. We further find that asymmetric budget ratcheting is associated with higher subsequent achievement of performance goals and less slack-building behavior.

Session 6.05: NONPROFIT AND GOVERNMENT PST
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM

Compensation and Bureaucrat Corruption: Evidence from City Manager Cash Benefits in California

Yuan ji
The University of Texas at Arlington

ABSTRACT: I study implications of city managers' cash benefits in the state of California from 2011 to 2017. Cash benefits include lump sum one-time payments, car allowances, meeting stipend, longevity pay, incentive pay and bonus. Using a recent dataset and a municipality fixed effects model, I find consistent evidence that city manager cash benefits are negatively associated with the likelihood of having corruption-related scandals. I fail to find the same relation when studying base salary, total compensation and retirement benefits. These results remain robust in a change model analysis, Heckman two-stage model and using acceptance of federal grants as an exogenous shock. Cross-sectional analyses further suggest that the negative relation is stronger when the city council is more powerful, and the city manager has a longer tenure. Finally, I document that when city managers receive more cash benefits other public employees are also less likely to conduct corruption crimes, cities have more efficient daily operations and city managers likely have involuntary termination.

Session 6.06: CONTRACTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

the Interactive Effect of Reward Type and Taxation on Employee Effort

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University of Waterloo

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ABSTRACT: Firms are increasingly using performance-contingent tangible rewards (e.g., gift cards) to motivate employee effort. We use an experiment to examine whether the effort effects of tangible rewards versus cash rewards depend on whether the rewards are subject to taxation. Consistent with affective valuation theory, we find that the motivational disadvantage of tangible rewards versus cash rewards is greater when rewards are subject to taxation than when rewards are not subject to taxation. Specifically, while we find no difference in effort between the two reward types when rewards are not taxed, we find that participants exert more effort to earn cash rewards than tangible rewards when rewards are taxed. Our study informs compensation designers of the greater adverse effects of taxation on tangible relative to cash rewards, which highlights the usefulness of techniques such as ‘grossing up’ tangible rewards or using cash-tangible reward combinations to mitigate the negative effects of taxation on tangible rewards.

Session 6.06: CONTRACTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Are Constraints good for Creativity? The Effect of Decision Rights and Performance-Dependent Incentives on Creativity

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ABSTRACT: Using an experiment, we examine how the allocation of decision rights over selecting most creative output and the form of incentive scheme interact to influence creative performance. The literature commonly assumes that creativity needs autonomy and that thereby unrestricted decision rights lead to higher creativity. Contrary to that position we propose that some restrictions can be good for the creative process. Specifically, we propose that not giving employees' decision rights over selecting the most creative output leads to higher creativity compared to when employees have such decision rights. Having decision rights over selecting the most creative output leads to less creativity because employees with decision rights engage in a satisficing process and settle for lower creativity output. However, this satisficing process only leads to differences in creativity when employees have an incentive to exert effort, as it is the case in our creativity-dependent incentive scheme, but not when compensation is fixed. We find support for the predicted effects. Employees without decision rights produce more creative output compared to employees with decision rights when employees have performance dependent incentives, but not without performance dependent incentives. Supplemental analyses show that our findings support the notion of individuals satisficing when they have decision rights over selecting the most creative output. Specifically, individuals with decision rights appear to consistently check, evaluate, and settle for a lower performance level while producing output.

Session 6.06: CONTRACTS
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Paying Employees to Quit: An Experimental Study of Sorting and (De)motivational Effects

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ABSTRACT: We study whether pay-to-quit incentives (i.e., an incentive paid to employees that resign from the firm) can help organizations maintain a workforce of employees who highly identify with the organization. While pay-to-quit incentives are growing in popularity in practice (Semules 2018; Amazon 2019), our research is amongst the first to empirically examine its sorting and motivational effects. We conduct a laboratory experiment where we manipulate the level of employees' organizational identification (neutral or positive) and the type of incentive provided for employees to remain or exit their organization (pay-to-quit, pay-to-stay, or no incentive). Consistent with our expectations, we observe that employees who reject the pay-to-quit incentive and stay with the organization tend to have higher levels of organizational identification than those who accept the incentive and exit the organization. Moreover, a pay-to-quit incentive is more effective than no incentive in sorting out employees with positive but relatively low levels of organizational identification. We also observe that after forgoing the pay-to-quit incentive, employees' work effort marginally increases. This research contributes to the rising literature in accounting that examines the sorting effects of incentives and shows that pay-to-quit incentives are an effective mechanism in both retaining and motivating employees who highly identify with their organization.

Session 6.07: SUPPLY CHAIN
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Sales-Based CEO Pay and Its Effect Across the Supply Chain

Jen Choi
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ABSTRACT: A growing number of firms are using sales measures in their CEO compensation contracts. However, as sales are a narrow measure of performance (Ittner and Larcker 2002) that do not account for activities that increase costs, using sales measures can distort managerial incentives away from firm value maximization. In this study, I expect that sales measures incentivize the CEO to increase inventory reserves to prevent lost sales and accelerate sales realizations. This inefficient inventory management causes an increase in production volatility and exacerbates the bullwhip effect, which refers to the widespread phenomenon where the volatility of production tends to be higher than the volatility of demand (Lee et al. 1997a; Lee et al. 1997b). The bullwhip effect has been documented as a substantial driver of operating costs for the firm and its supplier, which suggests that the use of sales measures can have unintended negative consequences. The results are robust to using network connections to other firms using sales measures as instrumental variables.

Session 6.07: SUPPLY CHAIN
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Inter-Firm Executive Connections in Supply Chains and Suppliers' Voluntary Disclosures

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ABSTRACT: In this paper we examine how inter-firm executive social connections between suppliers and major customers help promote communication that facilitates supplier accuracy in voluntary disclosures and, also, operational efficiency. We also document supplier hiring strategies that improve private communication channels. Specifically, using a firm fixed-effects model, we show that suppliers provide more accurate revenue forecasts when their executives are socially connected to their major customers. This positive effect is reduced when the major customer is more transparent, as evidenced by release of more management forecasts, and when the supplier has greater bargaining power. We additionally document the following: that good news shared through social ties plays a stronger role in improving suppliers' forecast accuracy than bad news, that suppliers enjoy higher inventory turnover when socially connected with major customers, and that social connections to the major customer's marketing executives positively affect supplier's sales forecast accuracy. We also provide evidence that suppliers strategically hire connected executives after establishing the supply chain relationship. Our results survive a battery of robustness tests. Taken together, our findings contribute to the literature in three areas: (1) the relationship between inter-firm executive social ties and capital market voluntary disclosures (2) how communication through private channels in supply chains improves supplier operating efficiency and (3) how suppliers shape their executive hiring strategies to benefit from information flows through inter-firm executive social ties.

Session 6.07: SUPPLY CHAIN
DATE: SATURDAY, JANUARY 8, 2022
TIME: 3:30 PM - 5:00 PM PST

Major Customers' Long-term CEO Incentives and Suppliers' Performance

Sohee Park
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ABSTRACT: In this paper, we examine the relationship between major customers' long-term incentives for their top-level managers (namely, CEOs) and supplier firms' performance. Long-term equity incentives encourage CEOs to pursue relatively long-time horizons, potentially influencing certain relationships with slanted bargaining power. We predict and find that major customers' long-term CEO incentives, as measured by CEO incentive for unvested equity, are positively associated with supplier firms' profitability, partially through a reduced emphasis on myopic price-cuts. However, the effects that major customers' long-term CEO incentives have on supplier firms are quite nuanced. Customers' equity incentives appear to decrease suppliers' operational efficiencies and cost elasticity, implying that suppliers bear burdens of implementing stable resource supplies. Collectively, our results suggest that customers' long-term incentives may have multifaceted consequences on suppliers' performance and operations.