

EDITORS' PANEL ABO 2007 RESEARCH CONFERENCE

Michael Shields
Michigan State University

1

ABO and BRIA: MISSION

- Accounting, Behavior and Organizations Section
 - “The mission of the ABO Section is to encourage excellence in research and education about the interface between behavioral and organizational sciences and accounting.”
- Behavioral Research in Accounting
 - “Original research relating to accounting and how it affects and is affected by individuals and organizations ... Theoretical papers and papers based on empirical research (e.g., field, survey, and experimental research) are appropriate.”

3

PURPOSE

1. Under-researched topics, under-utilized theories or methods
2. Boundaries of behavioral research, especially the role of archival research in behavioral research

2

WHAT IS BEHAVIORAL SCIENCE? (From Wikipedia)

- Behavioral science includes disciplines that explore activities of and interactions among organisms in the natural world.
 - Systematic analysis and investigation of human behavior through controlled and naturalistic experimental observations and rigorous formulations
- Behavioral science investigates decision processes and communication strategies within and between organisms in a social system.

4

TWO BRANCHES OF BEHAVIORAL SCIENCE

- Behavioral science links the natural and social sciences
- Two branches of behavioral science
 - Social-communication sciences: anthropology, OB, organizational studies & psycho-economics, social networks, memetics, organizational ecology
 - Neural-decision sciences: psychology including social psychology, cognitive organization theory and consumer psychology, psychobiology, management science and operations research, social neuroscience

5

ORGANIZATIONAL STUDIES

- Organizational studies encompasses the study of organizations from multiple viewpoints, methods, and levels of analysis. For instance, a traditional distinction is between the study of "micro" **organizational behavior** -- which refers to individual and group dynamics in an organizational setting -- and "macro" **organizational theory** which studies whole organizations, how they adapt, and the strategies and structures that guide them. To this distinction, some scholars have added an interest in "meso" -- primarily interested in power, culture, and the networks of individuals and units in organizations -- and "field" level analysis which study how whole populations of organizations interact.

7

WHAT IS ORGANIZATIONAL SCIENCE? (From Wikipedia)

- **Organizational studies**, **organizational behavior**, and **organizational theory** are related terms for the academic study of organizations, examining them using the methods of economics, sociology, political science, anthropology, and psychology. Related practical disciplines include strategic management, human resources, and industrial and organizational psychology.

6

ORGANIZATION SCIENCE

- *Organization Science* is ranked among the top journals in management by the Social Science Citation Index in terms of impact and is widely recognized in the fields of strategy, management, and organization theory. *Organization Science* provides one umbrella for the publication of research from all over the world in fields such as organization theory, strategic management, sociology, economics, political science, history, information science, communication theory, and psychology.

8

BRIA PROFILE

	1990 (vol 2)	2000	2004/5/6/7
Individual	100%	82%	90%
Subunit/Team		18%	5%
Organization			5%
Economics			10%
OB	29%	9%	7%
Psychology	71%	91%	80%
Strategy			2%
Archival			
Case/Field			
Experiment	43%	64%	77%
Survey	57%	36%	23%

9

OPPORTUNITIES FOR RESEARCH

- Many opportunities to research under-researched areas within the ABO/BRIA mission-statement space
 - **Identified on the following slides in bold**
1. Macro (organizational) and meso (linking micro & macro)
 2. Theoretical perspectives other than psychology, including neuroscience and sociology
 - John Dickhaut is leader in neuroscience research on accounting
 - Two recipients of the ABO Notable (Lifetime) Contribution Award in Behavioral Accounting Literature — Anthony Hopwood and Mark Dirsmith — have distinguished themselves for their organizational sociology research, yet BRIA does not publish such research!
 3. Research methods other than experiments, including qualitative and quantitative archival and case/field studies

11

BOUNDARIES CAN BE OPPORTUNITIES

- Boundaries are constraints only if objects (research) fully occupies the space within the (mission-statement) boundaries
- Otherwise, boundaries are opportunities to expand the actual research space out to the intended research space
- Mission statements of ABO and BRIA are not very limiting
- Most of the opportunities for research intended by these mission statements have not been exploited

10

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14



ABO Editor's Panel Tips, Taboos, Topics

Vicky Arnold


Ernst & Young Professor
Dixon School of Accounting
University of Central Florida

Professorial Fellow
Dept. of Accounting & BIS
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Overview




- Tips
 - Taboos
 - Topics
 - Under-researched
 - New
 - Interesting
- 

2

Tips (Avoiding flaws)




- Identify and motivate interesting, testable research questions
 - Instrument design
 - Pretest, pretest, pretest
 - Simplicity helps
 - Subjects
 - Appropriate subjects
 - Sufficient numbers to test the questions
- 

3

Taboos (Ethical Issues and Considerations)



- Plagiarism
 - Plagiarizing others
 - Plagiarizing your prior work
 - Failing to disclose relevant information
 - Re-using data
 - Failing to submit a complete instrument
- 

4

Systems Research Has Never Been More Relevant

- Technology changes everything
- Accounting is one of the last to change, but it is changing
- Users of accounting information have already changed
- Are we content to be passive observers?

5

Changes In Financial Reporting

- Continuous financial reporting
 - What would be the impact
 - Would we need a new reporting model
 - Would we need both continuous financial reporting and an annual report

6

Changes In Financial Reporting

- XBRL - Tagged & Searchable Data
 - Why?
 - Is It Cheaper? More Efficient?
 - Is It Easier? Harder?
 - Is Anybody Using It?
 - Will Anybody Use It?

7


Changes In Financial Reporting

- XBRL - Tagged & Searchable Data
 - How best could it be used?
 - New views? Continuous reporting?
 - New reporting model?
 - Change or blend models?
 - Do we create greater inequities among users?
 - How do we represent the MDA in a taggable/searchable form? Should there be a standard format?

8

Auditing: A Look at Today




- What does auditing use of technology look like today?
 - What is the impact of that technology use?
 - Short-term?
 - Long-term?
 - Does this impact change based on the nature of the system?
 - Does anyone care? Does anyone want to know the answer?
- 

9

Technology Dominance




- Why do people use a technology? How do they use it?
 - Can it have detrimental effects on decision making?
 - Can it affect acquisition of expertise over time? Why?
 - Does it affect the development of the discipline (epistemology)? Why?
- 

10

Auditing: A Look at Tomorrow




- What will auditing use of technology look like tomorrow?
 - Continuous audit/continuous assurance
 - How do we effectively collect the data?
 - How do we use the data once we have collected it?
 - Information overload?
 - Design of metrics and consideration of static vs. dynamic models
- 

11

Corporate Governance & Internal Controls (Sarbanes)



- CEO and CFO must both sign-off on the adequacy of internal controls
 - Large portions of IT budgets going to document the internal controls present in systems (SOX Compliance)
 - Where does the reach of internal controls over financial systems end?
 - How is the information on internal control reporting being used?
- 

12

The Management Accountants Role Has Changed (???)

- Has it really changed?
- ERPs and the use of spreadsheets
- How is data leveraged?
- Are available tools really used effectively?
- How does technology affect decision making? information use?

13

Passion and Productivity

- Do you feel passionate about your research?
- Do you have a cause or a purpose?
- What rewards do you value most from your research?

14

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[S. Kaplan, ABO Editors' Panel, Philadelphia, 2007]

Ethics as an underresearched topic in accounting research

- A:** What's an accounting related "ethical issue"?
- B:** My background and interest in this work.
- C:** An approach to working in this area: **Judgment and Decision (JDM) in Accounting meets the Issue-Contingent Model of Ethical Decision Making in Organizations** (Jones, *Academy of Management Review* 1991, vol. 16 (2), 366-395) (551 cites on Google Scholar)

A: What's an "ethical issue"?

Various characterizations exist in the literature. For our purposes (and consensus generally around):

A decision involving choice impacts (harms/benefits) other stakeholders.

The vast majority of decisions satisfy this condition.

Auditing: Opinion formation. Perhaps, more broadly, internal memos intended to persuade superiors and/or clients.

Managerial Accounting: Project selection, performance evaluation, transfer pricing.

Taxation: Tax compliance (individual vs. corporate)

B: My background and interest in this work.

NOTE: all these studies are experimental

My initial research involving an ethics' related variable:

Kaplan, S. E. and P. M. J. Reckers, "A Study of Tax Evasion Judgments," *National Tax Journal*, March, 1985, pp. 97-102.

This was followed by several other tax compliance research projects.

Hooks, K. L., S. E. Kaplan, and J. J. Schultz, Jr., "Enhancing Communication to Assist in Fraud Prevention and Detection," *Auditing: A Journal of Practice & Theory*, Fall, 1994, pp. 86-117.

This led to series of research projects on whistleblowing:

S. E. Kaplan, "An Examination of Auditors' Reporting Intentions Upon Discovery of Procedures Prematurely Signed-Off," *Auditing: A Journal of Practice & Theory*, Fall, 1995, pp. 90-104.

S. E. Kaplan, and S. Whitecotton, "An Examination of Auditors' Reporting Intentions when Another Auditor is Offered Client Employment," *Auditing: A Journal of Practice & Theory*, Spring, 2001, pp. 45-64.

Ayers, S. and S. E. Kaplan, "Wrongdoing by consultants: An examination of employees' reporting intentions," *Journal of Business Ethics*, 2005, 57, 121-137.

Research projects on the ethics of earnings management:

Kaplan, S. E. "Ethically Related Judgments by Observers of Earnings Management," *Journal of Business Ethics*, 2001, pp. 285-298.

Kaplan, S. E. "Further Evidence on the Ethics of Managing Earnings: An Examination of the Ethically Related Judgments of Shareholders and Non-Shareholders," *Journal of Accounting and Public Policy*, Spring, 2001, pp. 27-44.

Kaplan, S. E., and S. P. Ravenscroft, "The reputation effects of earnings management in the internal labor market," *Business Ethics Quarterly*, 2004, 453-478.

S. E. Kaplan, J. C. McElroy, S. P. Ravenscroft, and C. B. Shrader, "Moral judgment and causal attributions: Consequences of engaging in earnings management," *Journal of Business Ethics*, forthcoming.

The Idea: Judgment and Decision (JDM) in Accounting meets the Issue-Contingent Model of Ethical Decision Making in Organizations (Jones, *Academy of Management Review* 1991, vol. 16 (2), 366-395) (551 cites – google scholar)

Traditional Topics in Judgment and Decision Making in Accounting: (Largely drawn from Bonner, 2008)

Performance View: Focus on final answers

**Knowledge
Ability
Motivation**

Process View: What one is doing in order to get to the final answers

**Memory retrieval
Information search
Problem representation
Hypothesis generation
Evidence Evaluation**

Task Variables:

**Task complexity
Information relevance
Framing
Information order
Presentation format**

Issue-Contingent Model:

Background: Jones (1991) contends that prior work had given little or no emphasis on the characteristics of the ethical issue itself.

Introduces the concept of “moral intensity.”

“A construct that captures the extent of issue-related moral imperative in a situation” (Jones, p. 372). “Moral intensity focuses on the moral issue, not on the moral agent or the organizational context” (Jones, p. 373). Consequently, Jones contends that moral intensity:

Does not include traits of the decision makers such as knowledge or values.

Does not include organizational factors such as organizational culture.

Jones (1991, p. 374) contends that “every ethical issue can be represented in terms of moral intensity.”

Alternative perspective #1: Egocentric interpretations of fairness

Judgments of fairness and ethics depend on how you are impacted by an act.

Acts that benefit oneself are judged to be more “fair” than someone unaffected by the act or harmed by the act.

Alternative perspective #2: JDM

Judgments may be associated with individual differences to knowledge, task and/or general experience.

Moral Intensity includes six components:

- 1. Magnitude of consequences:** The sum of the harms (or benefits) done to victims (or beneficiaries) of the act in question. (Jones, 374)
- 2. Social consensus:** The degree of social agreement that a proposed act is evil (or good). (Jones, 375).
- 3. Probability of effect:** The probability of effect of the act in question is a joint function of the probability of the act will take place and the act will actually cause the harm (benefit predicted). (Jones, 375)
- 4. Temporal immediacy:** The length of time between the present and the onset of consequences of the act in question. (Jones, 376)
- 5. Proximity:** The feeling of nearness (social, cultural, psychological, or physical) that the decision maker has for the victims (beneficiaries) of the evil (beneficial) act. (Jones, 376).
- 6. Concentration of effect:** An inverse function of the number of people affected by an act of given magnitude. (Jones, 377).

KEY: These components of an issue are generally NOT considered by JDM researchers in accounting.

KEY: From a cognitive perspective, it is not clear whether these components might be automatically considered or not.

A way of thinking about working in this area ... or ...

Application to Issue-Contingent Model to Judgment and Decision Making Research in Accounting

How do individuals make judgments about moral intensity components for accounting related events?

Potential role for individual differences:

**Knowledge
Task specific experience
General experience
Risk acceptance tendencies
Moral Orientation**

From a process perspective:

How might moral intensity factors influence:

**Memory retrieval
Information search
Problem representation
Hypothesis generation
Evidence Evaluation**

Automatic vs. induced: when to collect assessment of moral intensity factors.