1.02: Human Capital, Investor Reactions, and Workforce Strategy
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The Effect of Human Capital Management Disclosures on Professional Investors: Valuation Decisions

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Human capital is a major contributor to firm value, and professional investors have asked firms to provide additional information about their human capital management. The SEC has proposed that firms mandatorily disclose metrics related to employee turnover, tempo- rary worker use, total employee expenditures, and workplace diversity. We conduct a field experiment among CFOs, financial analysts, and investment managers to study the impact of these disclosures on investors' valuation decisions. We find that some disclosures, but not others, significantly influence valuations. In particular, low rates of employee turnover lead to reduced assessments of firm risk. In addition, we find that several of the human capital disclosures cause greater dispersion in investors' valuation assessments.

1.02: Human Capital, Investor Reactions, and Workforce Strategy
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The Effect of Accessibility of Status-Confirming Information on Investor Reactions to Pay Ratio Disclosure

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The literature suggests pay ratio disclosures negatively affect investor support for executive compensation ('say-on-pay,' SoP). Experiment 1 shows that overall accessibility of information to justify the gap between chief executive officer (CEO) and median employee compensation (status-confirming information) increases investors' perceptions of meritocracy and positively influences SoP support, but not if the pay ratio is higher than that of peer companies. Status-confirming information does not significantly increase SoP support and perceptions of meritocracy in high-income participants. Experiment 2 investigates whether participants' perceptions of wealth impact their responses when the pay ratio is higher than that of peer companies. The results show that investors' perceptions of wealth and accessibility of status-confirming information affect both their perceptions of meritocracy and SoP support when pay ratios are higher than that of peer companies. My findings show that the accessibility of information through pay ratio disclosure could systematically affect investor decisions independent of the disclosure.

1.02: Human Capital, Investor Reactions, and Workforce Strategy
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Not All Human Capital Initiatives Are Equal: The Role of Initiative Type, Financial Performance, and Investor Orientation on Investor Judgments

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In response to recent requirements from the U.S. Securities and Exchange Commission (SEC), companies are increasing their disclosures of human capital initiatives such as diversity, equity, and inclusion (DEI) and employee well-being/development initiatives. While DEI initiatives have proliferated, they also face heightened scrutiny amidst economic pressures and social divisiveness. We conduct an experiment examining how nonprofessional investors judge a company that achieves a DEI initiative compared to less controversial initiatives aimed at improving employee treatment (EMP) or core business operations (CORE). We predict and find a significant interaction between the type of initiative achieved and the valence of financial performance in determining investment willingness. Specifically, when financial performance is unfavorable, investment willingness is lowest for DEI and similar between EMP and CORE. However, when the company's financial performance is favorable, investment willingness for DEI is higher than CORE and similar to EMP. We provide evidence suggesting that the DEI initiative's more controversial nature vis-Ã -vis EMP or CORE initiative helps explain investor decision-making. Our results are important for companies and regulators to understand investors' responses to disclosures of different human capital investments.

1.03: Skills and Promotions
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Do Accounting Skills and Use Drive Firm Performance? Evidence from a Field Experiment with Entrepreneurs

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The extant literature has provided evidence on the positive impact of accounting information use on firm performance. However, evidence suggests that the information the accounting function produces is not widely used among entrepreneurs. One potential reason for this scant use of accounting relates to the limited accounting knowledge and skills of entrepreneurs and employees of micro, small and medium-sized enterprises. We conducted a field experiment to examine the impact of accounting training on perceived importance of accounting, accounting skills and accounting use, and the impact of these on firm performance. A randomized group of entrepreneurs was provided with online accounting education, while a similar group was not. Information about performance, accounting importance, skills and use was collected before and after the treatment for both the treatment and control groups. Using structural equation modeling, we show that the treatment had a positive effect on accounting skills, leading to a positive effect on accounting use, and ultimately on firm performance. This study is the first in accounting research to use a field experiment to provide evidence on the effects of accounting training on accounting skills and use, and firm performance.

1.03: Skills and Promotions
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Does the Source of Workers' Productive Efficiency Matter? Worker Skill and Effort Provision

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Firm production is the joint product of workers' effort and the relative productive efficiency (PE) of worker effort. Worker PE originates from some combination of 1) the firm's production technology and 2) worker skill. Economic theory suggests that firms care about the level, but not the source, of worker PE. In this study I develop behavioral theory that suggests that workers' effort provision differs based on the source of worker PE. Experimental results support my theory and suggest that workers provide greater non-incentivized effort when PE is based on worker skill than when it is not. Specifically, workers provide higher effort in response to high noncontingent wages when PE is based on skill, but similarly low effort in response to low wages across PE sources. My results suggest workers' perceptions of the importance of their skill for PE systemically affects workers' effort response to contracts.

1.03: Skills and Promotions
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Labor Market Competition and Measure Weighting in Job Promotion Decisions
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Prior research explores how managers weight measures of performance and potential in job promotion decisions. In this study, I investigate the effect of the labor market on these measure weights. I expect labor market competition to increase the salience of potential employee departures and, consequently, managers' focus on retention. Drawing on theory of loss aversion, I predict that managers will try to retain high performers by overweighting measures of performance, relative to measures of potential, in job promotion decisions. I also predict that this effect can be mitigated by requiring managers to explicitly, rather than implicitly, weight measures used in promotion decisions. Experimental results support these predictions but highlight other potential consequences of using explicit weighting. This study extends prior literature by demonstrating how external labor market conditions can influence internal labor decisions. Ultimately, the findings suggest that labor market competition may increase the likelihood of suboptimal promotion decisions.

1.04: Pay Transparency, Bonuses, and Financial Decisions
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An Experimental Examination of Pay Transparencyâ€™s Effects on Employee Effort and Manager Discretionary Bonus Allocations

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Against the backdrop of the recent legislation promoting pay transparency, our research examines how pay transparency simultaneously affects employee effort and managers' discretionary bonus allocation in a team setting. We theorize that employees will exert higher effort in response to pay transparency, but only when the firm also provides employees with peer performance information. This is because many benefits of pay transparency, namely perceptions of distributive justice, procedural justice, and pay-performance instrumentality, require transparent pay processes, not just transparent pay outcomes. We further predict that managers will respond to pay transparency strategically by lowering pay-performance sensitivity and increasing pay compression. We test our theory in an experiment involving repeated interactions between three employees and one manager who allocates a shared bonus pool among the employees. We manipulate whether peers' pay and performance information are available to the employees. We find team effort to be the highest when pay is transparent and peer performance information is provided. Interestingly, the high team productivity in this condition is accompanied by relatively low pay-performance sensitivity and high pay compression. Supplemental analyses further show that this is because when pay is transparent and peer performance information is present, employees' effort reacts more strongly to pay and performance information. Implications for research and practice are discussed.

1.04: Pay Transparency, Bonuses, and Financial Decisions
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A Good Virus The Contagion Effect of Whistleblowing with Monetary Incentives

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The Securities and Exchange Commission (SEC) announced a shattering record by issuing an aggregate amount of whistleblower awards in a single year of $600 million in 2023 (SEC 2023a). In this study, we examine how monetary incentives promote whistleblowing in a team setting, especially the contagious whistleblowing effect with monetary incentives when people are aware of their teammates' whistleblowing decisions. From a cost-benefit perspective, as the negative repercussions of whistleblowing, such as career loss or retaliation, are major concerns for potential whistleblowers, monetary incentives serve to offset the loss and reduce the cost of whistleblowing. Therefore, we first test whether people are more likely to blow the whistle when monetary incentives are present than when there are no monetary incentives. According to the theory of observational learning, people's decisions are likely affected by others who work with them. Observing their teammates' decisions can be a 'double-edged sword' as it prepares the floor for either a good or bad virus to be contagious. We argue that monetary incentives both offset costs and diminish the likelihood of the bystander effect, thus creating a positive momentum for whistleblowing. Using an experimental economics setting with real monetary incentives, we find that people are more likely to blow the whistle when monetary incentives are present. And the likelihood of whistleblowing is elevated by their awareness of other teammates' decisions. There is a whistleblowing contagion effect from knowing others' whistleblowing decisions when people are given a second chance to blow the whistle. The study has practical implications for improving the existing whistleblowing program to combat unethical behaviors in the workplace. Keywords: Whistleblowing, monetary incentives, contagion effect, group decision, individual incentives and group incentives

1.04: Pay Transparency, Bonuses, and Financial Decisions
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Paying Employees to Stay: The Influence of Retention Bonuses on Employees

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A retention bonus is an incentive paid to employees to stay with an organization during a critical business cycle. Despite the frequent use of retention bonuses in practice, a paucity of research examines how they can influence employee behaviors. In this multi-study research, we explore how one feature of retention bonuses, the basis of selection, can influence employee retention decisions and effort. In our first study, we survey full time employees to establish that retention bonuses are frequently used in practice, but also that selection process (merit based, or not) for these bonuses differs across organizations. In our second study, results from our online experiment show that the selection process (merit based, or not) does not influence the turnover intentions of employees who are offered the retention bonus, but significantly influences the turnover intentions of employees who are not offered the bonus. In our third study, we use a lab experiment to investigate how employees' task-related work efforts may change after the receipt of a retention bonus. Using an effort-sensitive task, we observe that when individuals receive a retention bonus selected based on merit, their post-bonus performance is less than those selected for a retention bonus based on factors other than merit. Our research contributes to the rising literature of employee retention mechanisms and provides a better understanding of how retention bonus can influence retained employees' intentions and motivations.

1.05: ESG Performance and Executive Compensation
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Assessing ESG Metric Designs: Implications for ESG Outcomes and CEO Compensation

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Using hand-collected data on ESG metrics from the annual bonus contracts of CEOs in S&P 500 firms, we examine the association between the design of these metrics, ESG outcomes, and CEO compensation. Our findings reveal that ESG metrics with quantified targets or exclusive ESG focus are linked to higher ESG ratings and the increased implementation of environmentally friendly policies. Conversely, ESG metrics without such design features are not significantly linked to improved ESG outcomes or the increased use of environmental policies but are correlated with higher CEO bonuses. Additionally, firms using non-quantified or non-exclusive ESG metrics give more favorable evaluations of ESG achievement levels for bonus payouts. This discrepancy between internal assessments and both external ESG ratings and actual firm policies suggests a potential misalignment in how boards evaluate ESG performance. Our study provides valuable insights into which ESG metric designs better reflect stakeholders' interests, moving beyond the binary debate on the overall effectiveness of ESG metrics.

1.05: ESG Performance and Executive Compensation
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Navigating ESG Storms: ESG Incidents and Earnings-Based Incentives in CEO Compensation

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We investigate whether firms adjust earnings-based incentives in CEO compensation after influential media expose their involvement in environmental, social, and governance (ESG) incidents. We find that firms involved in ESG incidents significantly reduce earnings-based incentives in CEO compensation, while those in consumer-sensitive industries still maintain the constant importance of earnings-based incentives following the incidents. Furthermore, we show that these adjustments to earnings-based incentives made by firms involved in ESG incidents have a first-order effect, beyond increasing ESG targets in CEO compensation design, to improve the firms' future performance and lower their risk of future ESG incidents. Overall, our results suggest that firms' efforts to focus CEOs' attention and efforts on ESG goals in the wake of ESG incidents improve the efficiency of CEO contracting.

1.05: ESG Performance and Executive Compensation
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Dependent vs. Independent ESG-Performance Evaluation in Executive Compensation Contracts

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We analyze how the dependence of environmental, social and governance (ESG) performance evaluation on financial performance in executive compensation contracts is associated with corporate performance. Prior literature finds mixed results regarding the effect of ESG-linked compensation on both ESG and financial performance. However, these studies generally overlook the specifics of ESG-related compensation and solely examine the binary determination of implementing ESG performance criteria. We argue that this approach significantly limits the understanding of the variety of incentives provided by different compensation contracts. In this study we specifically investigate the (formulaic) compensation contract structure and identify three distinct methods by which ESG performance evaluation is made dependent on financial performance evaluation. We find that dependent contract structures are a commonly used contracting tool, which theoretically incentivizes agents to prioritize meeting financial performance criteria before allocating effort toward ESG criteria. Our results show that dependent compensation structures are negatively associated with ESG performance compared to independent compensation structures. However, we find only partially evidence that these compensation structures are associated with financial performance.

1.06: Executive Leadership I
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Family First: The Effect of CEO Children on Financial Misreporting
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This paper presents evidence that CEOs who parent children are less likely to engage in financial misreporting than their childless counterparts. Analyzing a sample of 31,548 US firm-years, we find that discretionary accruals are 10.8% lower in firms with parent CEOs, and the risk of financial reporting fraud is reduced by 31.3%. To mitigate potential endogeneity concerns, we perform additional tests, including an instrument based on cross-state variations in tax credits for parenting, which support our findings. The child effect is more pronounced when the CEO has many children or when the children are young, but not when the detection risk, proxied by the number of analysts following the firm, is high. This evidence is consistent with the explanation that cognitive load and opportunity costs of job-related effort drive the main effect, and it is less consistent with alternative explanations, including increased risk aversion when parenting children. In sum, our findings reveal that CEO family status plays a crucial role in understanding the drivers of misreporting and can help boards and enforcement agencies better detect misreporting.

1.06: Executive Leadership I
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The Curse of Celebrity: The Effect of CEO Media-Induced Status on Stock Price Crash Risk
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We examine the effect of a shift in CEO media-induced status on the likelihood of a subsequent stock price crash. We predict and find that firms led by CEOs who have won a prestigious media award have higher subsequent crash risk. The observed patterns are stronger among firms led by CEOs with greater compensation sensitivity to the firm's stock price, which exacerbates CEO concerns about potential reputation damage affecting the present value of their human capital. Following the award, we also find that firms decrease the extent of details in annual reports and decrease the frequency of discretionary negative news disclosure relative to positive news. Finally, we show that stock price crash risk reverts following the departure of an award-winning CEO. Overall, this study provides interesting insight into the effects of media-induced status of CEOs on firm outcomes.

1.06: Executive Leadership I
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Are Two Chiefs Better Than One? Financial Executives and Layoffs
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I examine the real effects of firms delegating financial accounting duties to a Chief Accounting Officer (CAO), thereby allowing the Chief Financial Officer (CFO) to allocate attention to operational duties. I find CAO usage is associated with a significant reduction in the likelihood of a layoff. This negative association is stronger among firms reporting an accounting loss, which serves as a powerful trigger to divest employees, and firms with longer Chief Executive Officer (CEO) tenure, who develop prosocial preferences for employees over time. The collective evidence suggests that placing distance between CFOs and financial accounting, through use of a CAO, can discourage layoffs, in line with the hypothesis that managerial attention on financial accounting rules that treat employee costs as expenses and liabilities drive firm layoff decisions.

1.07: Value-Based Management
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Doing Good for Whom? Mission Statements, Compensation Interdependence, and Employees' CSR Commitment

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Employees often encounter conflicts between delivering financial performance or focusing on prosocial outcomes that their actions can generate. Mission statements may guide employees' decisions when facing these conflicts by emphasizing the company's ultimate purpose. In an online experiment, we ask participants to choose between actions that maximize their company's financial performance and pay or actions that sacrifice financial outcomes but generate benefits to external stakeholders. When employees' compensation is interdependent (i.e., their decisions also affect their colleagues' pay), we find that stakeholder-oriented mission statements motivate actions in favor of external stakeholders compared to shareholder-oriented mission statements. Conversely, when compensation interdependence is absent, and their decisions only affect their own pay (and not that of colleagues), the type of mission statement does not affect employees' decisions. Under compensation interdependence, employees perceive greater conflict between doing good for society and being viewed negatively by their colleagues for actions that reduce their company's financial performance and mutual bonuses. Our findings indicate that stakeholder-oriented missions alleviate these conflicts by fostering social norms that legitimize care for external stakeholders. Our research contributes to the literature on mission statements as management control systems, suggesting that their importance increases with compensation interdependence.

1.07: Value-Based Management
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Corporate Altruistic Value: Theory, Measurement, and Evidence

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We study corporate altruistic value, which we refer to as a belief that it is good, right, and desirable for a firm and its members to concern the interests of other individuals and/or organizations, as a potential solution for firms to address their challenge of balancing the interests of various stakeholders. We first theorize the concept of corporate altruistic value by mapping it onto the definition of altruism that is primarily developed at the individual level. Next, we develop an empirical measure of corporate altruistic value using textual analysis on the MD&A section of firms' financial reports, and perform an extensive range of validation analyses. We then examine the associations between corporate altruistic value and a range of firm operational features and performance outcomes. Our results suggest that a higher degree of corporate altruistic value is significantly associated with higher levels of firm productivity and financial performance, less financial misconduct, higher internal control quality, and better access to finance. Our study provides the first systematical measurement and set of evidence about corporate altruistic value. Our study contributes to the multidisciplinary literatures on corporate culture and paves the way for future research.

1.07: Value-Based Management
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Value-Based Management and Technological Innovation: Empirical Evidence on the Role of Context Factors

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This study analyzes the influence of value-based management (VBM) as a shareholder-oriented management control system on technological innovation (TI). While VBM is often considered as an instrument for efficiency-driven mature companies with a naturally lower focus on TI, it should, by its focus on value generation, foster TI in the long-term from a conceptual perspective. To answer the question whether VBM actually promotes TI, we collect patent data from the European Patent Office to measure TI and match this data with a VBM dataset from Kister et al. (2024) comprising more than 2,500 European firm years between 2006 and 2020. Our results reveal that VBM can indeed positively influence TI depending on two context factors: While we do not find a generally positive effect of VBM on TI, we demonstrate that VBM positively influences TI output depending on the orientation towards employees' needs, i.e., people centricity, and on the shares held by long-term-oriented institutional investors. These results indicate that innovation stimuli triggered by VBM work differently across organizational levels. At the operational level, a strong orientation towards employees' needs might reduce interorganizational pressure generated through VBM's efficiency-driven controls. Conversely, at the management level, we reason that influential institutional investors with long-term investment horizons have the 'long breath' to support managers with long-term TI projects when implemented VBM systems reduce asymmetric information and ensure goal alignment.

2.01: Organizational Culture
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Does a High-Performance Culture Fix the Leaky Pipeline? A Closer Examination of Performance Management Practices

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This study examines whether the employee performance evaluation, retention and promotion practices inherent in high-performance cultures (HPC) are associated with greater employee gender diversity across the corporate hierarchy. Combining international proprietary survey data on firms' performance management practices with employee-level data from online profiles, we find that HPC are associated with more women in entry-level positions but fewer women in top management positions. This indicates that firms with HPC are attractive to women early in their careers, perhaps when family is less of a priority, but that HPC firms experience a leakier pipeline as employees progress through the corporate hierarchy. We also find some evidence that these findings are at least partially driven by a lower likelihood of female promotions and by differences in cultural values across countries. This study contributes to recent work on the relation between performance management practices and employee gender diversity.

2.01: Organizational Culture
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The Impact of Culture Consistency on Subunit Outcomes

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We examine the association between subunit culture consistency-defined as the congruence between the organizational values espoused by top management and those perceived and practiced by subunit employees-and subunit outcomes. Using data from 235 subunits of a service-oriented North American retail chain, we draw from an analytical model (Van den Steen 2010a) to predict that subunits with greater culture consistency will exhibit greater employee satisfaction and performance. As predicted, we find a positive association between subunit culture consistency and both employee satisfaction and employee performance of customer service. Further, results show that the benefits of greater subunit culture consistency are reduced for subunits that incorporate extensive performance rewards and direct supervision in their control system. Overall our results highlight the potential benefits of value congruence between decentralized subunits and top management.

2.01: Organizational Culture
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Can Incorporating Organizational Values in Performance Evaluations Improve their Effectiveness?

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This study examines whether incorporating organizational values into performance evaluation systems facilitates organizational decision-making, and under what conditions the efficacy of incorporating organizational values into performance evaluation systems is stronger. Survey evidence from 131 large and diverse organizations shows that values-based performance evaluation is associated with enhanced perceived performance evaluation effectiveness at facilitating managerial decision-making. Further evidence suggests that the positive association between value incorporation and performance evaluation effectiveness is amplified in settings characterized by greater monitoring difficulty and lower availability of performance measures. We further find that incorporating values into performance evaluation is associated with increased procedural justice perceptions. Overall, this study contributes to the literature by examining the impact of incorporating values into performance evaluation system effectiveness.

2.02: Contemporary Challenges in Management Control
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Overreliance on Data in Forecasting

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This paper examines the reliance on data in internal forecasting. Using US Census microdata on plant-level sales growth expectations, we find that plants with higher data intensity make forecasts that are both overly certain and less predictive of actual sales. Although high data intensity plants suffer from worse forecasting outcomes, they appear to respond more nimbly to unexpected sales growth patterns. Exploring the mechanisms, we find that high data intensity plants issue forecasts that are less idiosyncratic and more like other plants within the firm as opposed to geographic peers, consistent with overreliance on readily available data crowding out incentives for managers to gather relevant local information. Furthermore, we find that reliance on numerical hard data and statistical model outputs is linked with less predictive forecasts, while soft information is linked to more certain, but no less predictive, forecasts.

2.02: Contemporary Challenges in Management Control
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Strategic Partner Role and Data Analytics Use in the Finance Function

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This study explores the relationship between the finance function's strategic partner role and its deployment of data analytics. The strategic partner role of the finance function involves providing management with decision-making guidance and actively participating in the decision-making process. Leveraging data analytics within the finance function is expected to enhance the effectiveness of fulfilling this role. We tested our hypothesis using survey data collected from experienced finance professionals. The results align with our expectations, revealing that the finance function's strategic partner role is associated with increased use of data analytics within the finance function. Cross-sectional analyses suggest that the application of data analytics by strategic partners is explained by the anticipated benefits derived from its use. Specifically, we find that the positive association between the finance function's strategic partner role and the use of data analytics is significantly more pronounced in contexts marked by high environmental volatility and advanced information management. The paper speaks to the strategic partner role of the finance function, rather than that of the individual controller, and highlights the importance of data analytics for the relevance of the finance function.

2.02: Contemporary Challenges in Management Control
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Emissions Target Design and Choice of Emissions Management Controls

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We study the design of firms' emission reduction targets and its influence on firms' adoption of other emissions management control practices, as well as these controls' association with firms' future emissions performance. Using survey data from CDP on firms' emissions targets, we find evidence that firms design emissions reduction targets using several target attributes in tandem and that firms fall into distinct groups that have varying levels of emission target ambition. We also find that firms that set emissions targets, and in particular those firms that set more ambitious emissions targets, are more likely to also adopt two emissions-related management control practices: the use of emissions-related monetary incentives and internal carbon pricing. Finally, we find some evidence that firms setting targets and using internal carbon pricing achieve greater emissions reductions. Our results highlight the importance of assessing firms' emissions reduction practices jointly to have a better understanding of firms' commitments to decarbonization, rather than focusing on the use of a specific control practice (e.g., whether a firm sets an emissions target).

2.03: Budgets, Targets, and Performance Evaluations
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Combining Target and Bonus Discretion: An Experimental Investigation

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In this study, we use an experiment to investigate whether ex ante managerial discretion over targets alters the effectiveness of ex post managerial discretion over bonus in motivating performance. We predict and find that when managers have limited target discretion, such that the sum of employees' targets must equal manager's own unit target, bonus discretion increases employee performance because managers use target discretion together with bonus discretion to motivate effort and performance, while keeping unfairness perceptions under control. In contrast, when managers do not have target discretion, bonus discretion decreases employee performance. Thus, our results suggest that having a 'fit' between target and bonus discretion is more effective than granting only one type of discretion. We also find that when managers have full target discretion, employee performance is relatively low and bonus discretion has little effect on it as managers often set too difficult targets, thereby undermining employees' financial incentives. Our results underscore the interrelated nature of different types of managerial discretion and the need for considering performance evaluation systems in its entirety rather than analyzing single components in isolation.

2.03: Budgets, Targets, and Performance Evaluations
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The Effect of Anonymity in Upward Performance Evaluations: How Feedback Valence and Participation Basis Affect Manager Response

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In this study, we examine the effects of negative and positive anonymous upward feedback (i.e., anonymous feedback from subordinates to managers) on managers' expected future effort. Further, we explore how the participation basis of feedback systems (i.e., mandatory versus voluntary) moderates these effects. Consistent with our predictions, we find that when employees provide negative upward feedback voluntarily, managers choose lower levels of future effort when employees are anonymous versus non-anonymous. We also find that mandating employee feedback alleviates this effect of negative feedback, consistent with theory. In contrast, when employees provide positive upward feedback voluntarily, managers choose higher levels of future effort when employees are anonymous versus non-anonymous, and participation basis does not moderate this effect. This research helps managers and management accountants understand how to elicit upward feedback to maximize managers' productive responses to such feedback.

2.03: Budgets, Targets, and Performance Evaluations
1/10/2025
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Time Budget Uncertainty and Creativity
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We investigate how uncertainty in time budgets affects individuals' creative task approach and their creative performance. We argue that uncertainty in time budgets reduces early divergent thinking, which, depending on the available time for a task, affects creative task performance. In a 2x3 between-participants laboratory experiment, we manipulate the presence of uncertainty in the time budget, as well as whether participants have an adequate amount of time for completing the task, or insufficient or excessive. Consistent with our theory we find that uncertainty in time budgets reduces early divergent thinking of individuals (self-reported, time spent on early divergent thinking, and quantity of ideas produced early on). This alternated task approach hampers creative performance if there is an adequate amount of time available. If there is insufficient or excessive time, the alternated task approach does not affect the creative task performance. These results show how commonly observed uncertainty in time budgets affects individual creativity.

2.04: Managerial Decision-Making and Feedback
1/10/2025
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How Do Managers Delegate Illegitimate Tasks? An Examination of Factors Influencing Managersâ€™ Task Delegations and Employeesâ€™ Responses to the Delegation

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This study examines tasks that fall outside the regular, contracted role of employees (i.e., illegitimate tasks). We investigate a manager's decision to delegate the task as well as the delegated employee's reaction to it. Specifically, we focus on two factors that influence a manager's task delegation decision: (1) the presence of promotion opportunities and (2) the potential for the task to enhance the delegated employee's marketability, thereby increasing their appeal to external employers. We further examine the delegated employee's reactions to the task delegation by investigating their career decision post-delegation, namely, whether they choose to remain with their current firm or seek employment elsewhere. We find that managers are more likely to delegate illegitimate tasks to the relatively stronger performer when there is either a promotion opportunity available or when the task has the potential to enhance marketability, as ways to signal kindness and trust to elicit reciprocal actions from employees. However, contrary to managers' expectations, we find that employees do not reciprocate their manager's actions to make them more 'marketable.' Instead, a majority of employees choose to leave. Nonetheless, internal promotion possibilities mitigate the extent of turnover. This study extends our understanding of employment relationships and task delegation in management accounting.

2.04: Managerial Decision-Making and Feedback
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Managersâ€™ Feedback Provision to Employees: The Impact of Feedback Culture and Employee Performance on Feedback Scope and Feedback Content

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In addition to formal feedback, managers' provision of informal feedback such as direct, task-related feedback is crucial in organizations, especially in dynamically evolving environments. Despite its importance, managers often hesitate to provide such feedback to their employees because the provision is time-consuming and hardly controllable. Drawing from the theory of reasoned action, this experimental study explores how (1) a company's feedback culture and (2) employee performance affect managers' cost-benefit balance and, consequently, their decision to provide feedback and the respective feedback scope. As predicted, we find that the feedback scope is greater when the feedback culture encourages informal feedback than when it does not. Further, we show that the feedback scope increases when employee performance declines. Lastly, we also predict and find that the company's feedback culture moderates the effect of performance level on feedback scope. Additionally, we perform a textual analysis of the feedback content to show how managers adjust the content and purpose of their feedback provided depending on the two factors investigated. Our findings help corporate management and management accountants who implement effective informal feedback processes and cultivate an organizational culture that supports managers' feedback provision.

2.04: Managerial Decision-Making and Feedback
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Home Is Where the Work Is: How Managers' Task Assignment Decisions Affect Remote Workers' Performance
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As the use of remote and hybrid work arrangements continues to grow, it is important to understand how these arrangements can yield performance. In this paper, I conduct two studies to examine how the remote work environment affects managers' task assignment decisions across different task types and how those decisions affect workers' task performance. First, I survey managers to study the effect of remote work on their task assignment decisions. Consistent with prior literature and economic theory, I predict and find that managers are more inclined to assign generative tasks (i.e., creativity-focused and less structured) to in-person workers and evaluative tasks (i.e., accuracy-focused and more structured) to remote workers as a mechanism to reduce managers' individual supervisory costs (i.e., effort). Second, I conduct an experiment to examine the effects of work environment (remote versus in-person) and task type (generative versus evaluative) on workers' task performance. Leveraging concepts from Regulatory Fit Theory, I predict and find that remote workers perform better on generative tasks than evaluative tasks due to a stronger regulatory fit between remote work and generative tasks. Contrary to my prediction, results reveal that in-person workers' performance does not differ significantly between generative and evaluative tasks. Overall, my combined results suggest that managers' task assignment preferences have the potential to impair remote workers' performance before even beginning their assigned tasks. My study contributes to research by both answering the call for studies of remote work's affect on managerial decisions and worker behavior as well as contributing to the growing literature which examines regulatory fit theory in an accounting context. My study also contributes to practice by identifying tasks' nature (e.g., generative or evaluative) as an important factor for managers to consider when assigning tasks in hybrid work environments.

2.05: Financial Decisions and Accounting Information
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Information Design with Supplemental Investment

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In this paper, we investigate the optimal design of information systems for firms pursuing supplemental investment opportunities and reliant on external debt financing. Our model incorporates information asymmetry across two dimensions: the quality of firm fundamentals (good or bad) and the nature of the supplemental investment (improving upside potential or mitigating downside risk). This dual-layered information asymmetry engenders undervaluation and investment inefficiency. Perhaps surprisingly, we find a transparent information system that fully reveals firm fundamentals can never achieve maximum investment efficiency. In particular, with low credit risk, a fully uninformative information system achieves the first-best result, and with intermediate credit risk, the optimal system features upward bias by pooling the bad type with the good type, which facilitates more financing, thereby enhancing welfare.

2.05: Financial Decisions and Accounting Information
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Financial Reporting Quality, Scale Effects, and Contract Enforcement
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We examine firms' choices of financial reporting quality in a setting with imperfect contract enforcement for external investors. In this setting, a complementarity arises between reporting quality and the scale of investment: higher reporting quality allows firms to attract more capital and expand their investments, which, in turn, increases the benefits of improving reporting quality. We show that a shock to firms' financial assets, such as an industrial recession, can amplify this complementarity, resulting in significant and discontinuous changes in financial reporting quality and real investments. This complementarity also leads to a positive association between reporting quality and the strength of contract enforcement. However, when contract enforcement is endogenized, an economy may become stuck in an equilibrium characterized by low reporting quality, limited capital investments, and weak contract enforcement. Our model provides insights into how financial reporting can drive the divergence in economic development between rich and poor countries and amplify the impact of financial shocks on real investments. Furthermore, we offer a rationale for financial reporting regulations in promoting capital market development.

2.05: Financial Decisions and Accounting Information
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Information Granularity, Liquidity and Cost of Capital

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We investigate the economic consequences of improving the granularity of the information available to capital market investors, thanks to the recent development in big data technology and digitalization of financial and alternative data. Our model augments a noisy rational expectations framework of capital markets with limited information processing capacities by investors, and incorporates a key friction that such processing capacities are heterogenous among investors. We show that, while an increase in the information granularity improves the overall amount of information available in the market, such improvement does not benefit all investors equally. Rather, more granular information empowers investors with greater information processing capabilities to derive an information advantage over investors with smaller capacities, resulting in an information asymmetry among investors, even when they all have access to the same set of information. Furthermore, we show that the information asymmetry induced by heterogenous information processing capacities makes the effects of more granular information ambiguous. Our analysis identifies conditions under which an increase in information granularity leads to greater illiquidity and a higher cost of capital. We also discuss the empirical implications of our analysis and relate our predictions to existing empirical findings.

2.06: Corporate Social Responsibility
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Corporate vs. Community: The Impact of Partisan Discord on Firm Performance

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Over the past several decades, Americans have experienced a widening divide in political ideology, and political polarization has attracted increasing attention. We study the effect of partisan discord, i.e., the misalignment between a firm's political positioning and the political ideology of its local community, on firm performance. We predict and find that partisan discord is negatively associated with firm performance because it reduces trust and cooperation from local stakeholders. This negative association is more pronounced in firms that rely more on intra-firm communication, consistent with the increased importance of employees' trust and collaboration for these firms. The negative association is also stronger for firms with higher political risks. We also find that partisan discord damages employees' perceptions of their employer, worsening the 'best-employer' rankings of these firms. Firms with high levels of partisan discord also report more internal control material weaknesses, especially those related to employees.

2.06: Corporate Social Responsibility
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The Gender Benefit Gap

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We exploit data from Kununu, the largest employer review website in Germany, to study gender differences in the non-wage benefits employees receive. Relying on information from 532,937 employees who work at 107,096 firms we find that ceteris paribus female employees receive lower pay, but more benefits compared to male employees. Consistent with the notion that these differences might stem from differential preferences we find that while pay and benefits are both positively related with employee satisfaction, gender differences exist in the strengths of these relations. Specifically, we find that the relation between benefits and satisfaction is stronger for female compared to male employees while the relation between pay and satisfaction is weaker for female compared to male employees. In additional cross-sectional analyses we highlight differences in the gender benefit gap as opposed to the gender pay gap. Specifically, we find that while the gender pay gap increases over the professional life of employees, the gender benefits gap is established early on. Moreover, we find that the gender benefits gap is more pronounced in firms that exhibit greater commitment to gender diversity, whereas the gender pay gap does not exhibit such variation. Collectively, our results contribute to our understanding of the use of non-wage benefits as an integral component of employee remuneration as well as gender inequalities in remuneration practices.

2.06: Corporate Social Responsibility
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Organized Labor and Corporate Social Responsibility (CSR) Reporting Quality
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Abstract: This study extends the labor relations literature by exploring the relation between labor union strength and CSR reporting quality. Prior literature suggests that due to collective bargaining concerns, financial disclosure quality is negatively associated with labor strength, particularly during periods of favorable firm performance. As employees value CSR reporting, especially when it relates to labor outcomes, managers have differential incentives to manage labor relations through voluntary, non-financial disclosure in this setting. Using a sample of US firms from 2002 to 2017, we find that labor strength is positively associated with CSR reporting quality. We also find that this positive relation is more pronounced for firms with more favorable financial performance or with higher liquidity, consistent with managers using CSR reporting as a tool to counter-balance labor unions' rent seeking incentives. In addition, we find that CSR reporting quality at firms facing higher labor strength is more likely to be related to CSR engagement. This finding suggests that managers are less likely to engage in greenwashing when facing stronger labor unions. Overall, our study highlights the potential benefits of CSR reporting for managing labor relations and contributes to the literature on labor relations and on voluntary, non-financial corporate disclosure.

2.07: Cost Management
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Cost Accounting Standards and Organizationsâ€™ Cost Management Practices

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Institutions of Higher Education (IHEs) receiving federal research funds have been subject to a set of cost accounting standards (CAS) since 1996. We study how the initial implementation of CAS affects IHEs' costs and research outputs. After CAS adoption, we find that costs of federally funded research at IHEs decline, and the cost allocation process becomes more consistent. We also find that the quantity and quality of research outputs do not significantly decline. The impact of CAS is most substantial for IHEs with low reliance on government grants and IHEs where it is more challenging to monitor costs. Additional analyses using detailed revenue and expense data reveal that while CAS leads to reductions in total revenue and some expenses (e.g., labor expenses), IHEs appear to compensate for these reductions by increasing spending on research support. Our collective results suggest that CAS makes IHEs' usage of federal funds more efficient

2.07: Cost Management
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Asymmetric Cost Behavior and Corporate Environmental Commitments

Clara (Xiaoling) Chen (1), Jackie Zeyang Ju (2), Hong Xie (2), Detian YANG (3)
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We examine the effect of asymmetric cost behavior (aka 'cost stickiness')-costs falling less for sales decreases than rising with an equivalent increase in sales-on corporate environmental commitments. Prior research suggests that corporate environmental commitments involve multi-year resource deployments that are difficult to cut proportionally if financial performance declines in the future. Prior literature also documents investors' negative reactions when firms reduce environmental commitments. Building on these findings, we predict that firms with greater cost stickiness will make lower corporate environmental commitments initially than their peers because they are less capable of sustaining high levels of environmental commitments in the future if sales decrease. Using measures of firms' environmental commitments based on their MD&A disclosures and earnings calls, we find results consistent with our prediction. To mitigate endogeneity concern, we use two quasi-experimental designs that utilize exogenous variations in labor adjustment costs caused by wrongful discharge laws and close-call union elections. These quasi-experimental tests yield results consistent with the results based on OLS regressions. Cross-sectional analyses suggest that resource adjustment costs serve as the channel for the negative association between cost stickiness and corporate environmental commitments. Furthermore, we show that the firms with greater cost stickiness reduce their real environmental actions, as measured by industrial pollution and green innovations. Our study provides novel insights into the impact of cost behavior on firms' commitments to environmental initiatives.

2.07: Cost Management
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The Effect of Cost-Elasticity Choice on Loss Reversal
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Although the prevalence of losses has been increasing over the years, little is known regarding managerial decisions resulting in reversing losses back to profits. We find cost-elasticity choices implied by operating actions made in advance significantly increase the likelihood of loss reversal. The results are robust to different estimation procedures and a battery of sensitivity analyses. The results are stronger for losses reported during an exogenous shock, the 2008 financial crisis, suggesting a causal effect. The contributions are twofold. First, we shed light on a mechanism underlying loss reversal. Particularly, we promote our understanding of how cost-elasticity choices made in advance affect the likelihood of loss reversal. Moreover, we demonstrate the likelihood of exercising the abandonment option is negatively and significantly related to cost elasticity. Second, the findings enrich the cost-accounting literature by demonstrating a meaningful implication of cost-elasticity choice.

3.02: Understanding Operations and Executive Compensation
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Does Board Gender Diversity Reduce Excess CEO Pay? Evidence from 27 Country-Level Interventions

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(1) Nanyang Technological University, Singapore, IL, (2) University of Illinois at Urbana-Champaign, Champaign, IL

We investigate the effect of board gender diversity (BGD) on excess CEO pay by identifying and exploiting 27 regulatory interventions in 18 countries designed to increase female representation among board directors. Using a staggered difference-in-differences research design, we find that BGD interventions reduce excess CEO pay. Treatment effects strengthen in countries with mandatory and strongly enforced BGD interventions that trigger larger BGD increases. Event-time, stacked panel, and a wide variety of robustness tests corroborate. Our evidence advances the BGD and compensation literatures by providing credible and generalizable inferences from a new international setting.

3.02: Understanding Operations and Executive Compensation
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Supplier Performance and CEO Compensation Contracts

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In this paper, we examine how a firm's strategic interactions with its suppliers influence its executive compensation contracts. We develop a parsimonious model demonstrating that to facilitate suppliers' investments in value creation, a firm's CEO pay can be positively linked to supplier performance. Consistent with this prediction, we find positive incentive weights on supplier performance, indicating that a firm's board considers supplier outcomes when designing compensation contracts to encourage managerial decisions that benefit both supply chain partners. Cross-sectional results show that positive incentive weights are larger for firms whose suppliers have higher capacity utilization, for firms with more financially constrained suppliers, and for firms with major suppliers or strategic alliances with their suppliers. The results are robust to the change specification and whether firms use implicit or explicit relative performance evaluation (RPE).

3.02: Understanding Operations and Executive Compensation
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The Link Between Strategic Position and Operational Control: A Field Study of a Restaurant Business

Eunbin Whang (1)
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Hybrid organizations that pursue both social mission and profit aims have been prevalent for many decades. Additionally, the importance of for-profit corporations' positive social impact has been emphasized and scrutinized in recent few decades, attracting attention of both scholars and practitioners. This study builds on the existing strategy and control framework and proposes a conceptual framework for the link between strategic positioning and operational control for organizations that consider both the social impact and financial sustainability. By conducting a field study, I document three main findings. First, a hybrid organization strategically positions itself by striking a unique balance between social mission and profit goals. Second, hybrid organizations with different strategic positioning mobilize different dimensions of operational control to monitor their operating activities that support each organization's unique balance between social impact and profitability. Third, using the content analysis, I document that managerial attention placed on various dimensions of operational control on a daily basis vary across hybrid organizations with different strategic positioning as they configure different sets of operating activities to support its own unique hybridity.

3.03: Decision-Making and Judgment in Fraud and Ethics
1/10/2025
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The Effect of Anxiety and Supervisor Pressure on Fraudulent Decision-Making of Lower-Level Employees

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Despite regulatory efforts to combat workplace fraud, fraudulent behavior is still exhibited at various levels of many organizations. While individual characteristics can influence this behavior, accounting research has not examined how anxiety impacts fraudulent judgments, despite the prevalence of heightened anxiety reported in modern society. Anxiety can be further partitioned into two separate dimensions: trait anxiety, a fixed dispositional component of individual personality, and state anxiety, which changes in response to various external stimuli. One organizational factor that may lead to higher state anxiety for subordinate employees is pressure from supervisors to reach certain company goals. Motivated by psychology theory suggesting a link between anxiety and unethical behavior, this paper examines how both trait anxiety and state anxiety, along with varying degrees of supervisor pressure, influence fraudulent decision-making by lower-level employees. In our first experiment, we find that high supervisor pressure increases employees' state anxiety, relative to low supervisor pressure, which in turn increases fraud likelihood. Additionally, while higher trait anxiety is associated with a higher fraud likelihood absent heightened state anxiety, fraud likelihood is highest when individuals with low trait anxiety experience high state anxiety, indicative of a complex interaction between state and trait anxiety. In a second experiment, we find that strong internal audit oversight alleviates heightened state anxiety from supervisor pressure and is associated with lower fraud likelihood and higher whistleblower intentions. This study contributes to research on individual traits that influence unethical behavior and on mental health characteristics in the workplace.

3.03: Decision-Making and Judgment in Fraud and Ethics
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Assessing Virtual Realityâ€™s Influence on Honesty in Reporting

Grazia Xiong (1), David Wood (2), Nathan Waddoups (3), Jeffrey Pickerd (2)
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Organizations, businesses, and society are exploring and adopting virtual reality (VR) and augmented reality (AR). VR is expected to boost the global economy by $1.5 trillion by 2030. In this study, we focus on the effect of VR on an important accounting variable-reporting honesty. We examine reporting honesty across two tasks, various measures, and various populations, that are commonly used in existing research. In our initial experiment, participants misreported more in a dice rolling task when performing it in a VR setting than in a non-VR setting. However, in a second and third experiment attempting to replicate and extend our findings, participants did not misreport more in the VR condition, suggesting our findings are not entirely robust. We contribute to our understanding of ethical decision making in VR as well as the importance of replication in accounting research.

3.03: Decision-Making and Judgment in Fraud and Ethics
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Remote and Corruptible? The Effect of Organizational Policies and Bonus Metric Alignment on Employeesâ€™ Propensity to Engage in Vendor Fraud.

Joanna Andrejkow (1), Kevin Veenstra (2)
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After the COVID-19 pandemic, remote work has become a permanent and popular work setting. However, most companies have not adapted their management control systems to account for this change. Our study examines the interactive effect of organizational policy (code of ethics vs. vendor management policy) and bonus metric alignment (i.e., the bonus incentive structure of the purchasing manager with the vendor's strength) on employees' propensity to engage in corruption fraud (accept a vendor bribe). Using an online experiment, participants assume the role of a purchasing manager who is working remotely and whose task is to decide whether to accept a bribe from a vendor. We hypothesize and find that when an organization emphasizes a Code of Ethics, purchasing managers are more likely to engage in vendor fraud when the bonus metrics are aligned. We also find that a major contributing factor to this enhanced risk of fraud is due to the weak organizational identity induced by the code of ethics. Further, we hypothesize and find that a specific departmental policy (vendor management policy) is effective in eliminating this enhanced fraud risk. This study contributes to the accounting research on employee behaviour and fraud by showing that employees' fraud responses are multi-faceted, influenced by the organizational policy the organization highlights and bonus metric alignment.

3.04: Creativity and Incentives
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The Effect of Input-Based Incentive Contracts on Human-AI Collaboration for Creativity Tasks
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This study explores the impact of input-based incentives on creativity within human-AI collaboration, shifting the focus from the traditionally examined output-based incentives. Recent findings suggest that while generative AI enhances individual creativity, it also reduces idea diversity due to the homogeneity of prompts. This study experimentally investigates how incentivizing the creativity and quantity of prompts influences the novelty of ideas generated. Participants were assigned to conditions focusing on either input (prompt creativity, prompt quantity) or output (idea creativity). Participants collaborated with ChatGPT to generate ideas and later worked independently to select their final ideas. The results show that input-based incentives, particularly those targeting prompt creativity and quantity, significantly improve the novelty and overall quality of ideas, outperforming traditional output-based incentives. These findings highlight the importance of managing input processes to foster innovation in human- AI collaboration. The study contributes to management control literature by demonstrating how input-based incentives can drive more effective and creative outcomes, offering practical insights for enhancing AI-assisted tasks in organizational settings.

3.04: Creativity and Incentives
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How Performance-Based Prosocial Incentives Affect Employeesâ€™ Creative Performance

Melissa Verniest (1), Sophie Maussen (1)
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A growing trend in organizations is to reward employees with performance-based prosocial incentives, which entails that employees work to earn a donation to charity. However, it remains unknown how these prosocial incentives affect employees' creative performance. On the one hand, these prosocial incentives can decrease creative performance by crowding-out employees' intrinsic motivation for the creative task, leading to less novel ideas. On the other hand, they can enhance creative performance by increasing employees' prosocial motivation, which increases the usefulness of the ideas. We rely on motivational theories to build our hypotheses. To test our predictions, we will conducted a laboratory experiment with a nested between-subjects design. First, we manipulated whether a performance-based incentive was absent or present. In the conditions where a performance-based incentive was present, we manipulated whether it was a monetary or a prosocial incentive.

3.04: Creativity and Incentives
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Meaningful Work and Financial Incentives: Complements or Substitutes for Motivating Creativity?
Martin Wiernsperger (1), Gerhard Speckbacher (2)
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In practice, creative tasks often serve a meaningful purpose, as their solutions are designed to help others. While prior accounting literature has examined the role of financial incentives in motivating creative output, it has largely overlooked the impact of meaningful work. This study explores whether financial incentives complement or substitute a meaningful purpose in enhancing creative performance. We find that quantity incentives complement a meaningful purpose in boosting productivity on a creative task, though neither factor affects creativity. Conversely, creativity incentives act as a substitute for a meaningful purpose. While each factor independently improves the care taken in crafting creative solutions, their combination backfires. Additionally, we find that creativity incentives increase creativity and novelty, but only in the absence of a meaningful purpose. Vice versa, a meaningful purpose increases usefulness, but only in the absence of financial incentives. In summary, our study helps reconcile anecdotal evidence that incentivizing creativity can be effective in some contexts yet counterproductive in others.

3.05: Performance Management I
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Supervisor Behavior in Times of External Performance Pressure

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Supervisor behavior is an important but understudied management control. We explore a novel data set comprising 243,754 ratings and 117,192 text reviews on supervisor behavior from an employee review platform. Our descriptive analyses of the textual data indicate that employees most frequently discuss topics related to disseminating information (informational supervisor behavior) and to being respectful and approachable (interpersonal supervisor behavior). Next, we analyze whether supervisor behavior matters in the context of performance pressure. Exploiting import tariff changes as exogenous shocks to performance pressure, we find that external pressure has a negative effect on employees' ratings of supervisors. Additionally, while external pressure weakens the positive relation between informational behavior and ratings, it strengthens the relation between interpersonal behavior and ratings. Intriguingly, however, external pressure also weakens the relation between interpersonal behavior and return on assets. Taken together, our findings indicate the efficacy of supervisor behavior as a management control is susceptible to external performance pressure.

3.05: Performance Management I
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Incentive and Sorting Effects of Challenging Performance Targets: Evidence from the Field

Jens Boeke (1), Martin Artz (2), Martin Holzhacker (3), Michal Matejka (4)
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It has been well documented that challenging performance targets increase effort and performance in laboratory experiments. However, there is not much evidence on the effect of target difficulty in real-world settings where employees carry out complex tasks over a long period of time. We use data on daily sales of retail store employees who are evaluated based on predetermined monthly targets and exposed to random fluctuations in sales due to weather. We provide support for several new predictions motivated by economic theory. First, challenging but achievable targets increase effort and this effect is particularly strong when it is driven by abnormal weather. Second, the incentive effects of challenging targets are much stronger at the end of a month than at the beginning. Finally, keeping targets at a challenging level facilitates sorting in that highly productive employees repeatedly meet their targets and earn bonuses while less productive employees with limited success in meeting their targets voluntarily depart.

3.05: Performance Management I
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Social Media Engagement as Non-Financial Indicator of Firm Performance: An Empirical Study
Atul Singh (1), Xiangpei Chen (2)
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In this paper, we examine whether followers' engagement with firm-initiated tweets is incrementally informative about the firm's performance measured as sales growth, unexpected sales growth, and stock returns. We use approximately 343 million engagement actions â€“ likes, retweets, and replies â€“ collected from the Primary Twitter accounts of all publicly traded US firms for the empirical analysis. Results suggest that, for firms with Twitter presence, quarterly changes in followers' engagement incrementally explain sales growth and unexpected sales growth. We also find that monthly changes in engagement represent value-relevant information that gets impounded into stock prices contemporaneously, beyond the dissemination effect of tweets and other sources of information. Furthermore, followers' engagement is a forward-looking indicator of stock prices: monthly changes in engagement predict the subsequent two months' stock returns. The results are robust to use of different samples, model specifications and measures of dependent variables and variables of interest.

3.06: Executive Compensation
1/10/2025
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Family Ownership, CEO Stock Option Exercises, and Earnings Management
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Using a sample of S&P 500 firms in the U.S., we investigate the behavior of nonfamily CEOs in family firms around stock option exercises. We find that although nonfamily CEOs in family firms exercise fewer stock options and sell fewer stocks after the exercises than their counterparts in nonfamily firms, they time their options exercises and engage more in accruals-based earnings management activities before option exercises. Our additional analyses further show that CEO role duality moderates the negative association between option exercises and nonfamily CEOs, and the exercise costs restrain their ability to gain profits from option exercises.

3.06: Executive Compensation
1/10/2025
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Only Time Will Tell? A Study of the Stewardship Value of Executive Compensation Actually Paid

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Prior studies on the executive pay-performance relationship have generated mixed evidence, which may be partly due to the misalignment of the time horizons over which executive pay and performance are measured. In 2022, public companies are required to disclose compensation actually paid (CAP), which adjusts summary compensation table (SCT) pay for changes in the value of outstanding equity grants. We use this recently available data to study the CEO and non-CEO executive pay-performance relationship in S&P 500 firms. We find that there is a strongly positive relationship between CAP and firm performance but an insignificant relationship between SCT pay and firm performance. CAP allows researchers a unique opportunity to observe negative executive compensation values. We also find that when a firm experiences negative CAP, the pay-performance relationship is no longer significant. Our results provide new insights into the pay-performance relationship, highlighting the importance of proper alignment of time horizons when evaluating the pay-performance relationship.

3.06: Executive Compensation
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No CEO Pay for ESG-Performance?
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This study examines the sensitivity of CEO pay to ESG performance using a sample of large U.S. firms from 2006 to 2024. We distinguish between ESG ratings, reflecting positive outcomes, and ESG incidents, measured by daily public data on violations of United Nations Global Compact (UNGC) Principles. Our results show that traditional financial metrics, such as stock returns and sales growth, significantly influence CEO pay, while pay-for-ESG-performance sensitivities are small and not economically significant. Higher ESG ratings do not positively impact CEO compensation, indicating ESG is not fully integrated as a value-creation strategy. Conversely, firms penalize CEOs for frequent ESG violations, suggesting a governance and compliance approach. These findings shift the theoretical consensus towards firms recognizing the risks of poor ESG performance without adequately rewarding strong ESG outcomes, highlighting the ongoing tension between stakeholder expectations and shareholder priorities in executive compensation.

3.07: Employee Turnover
1/10/2025
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Financial Condition, Employee Satisfaction, and Turnover

Sohee Park (1), Jae Yong Shin (1)
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This paper examines whether positive employee assessments of a company can counteract employees' economic incentives to leave the company. Findings indicate that, while turnover rates typically decrease (increase) reflecting financial improvement (deterioration), an asymmetry is introduced in companies with high employee satisfaction levels: their turnover rates do decrease, but do not increase, as expected by financial changes. This asymmetry is mainly attributed to employee satisfaction driven by non-monetary aspects, rather than by monetary rewards. Further analyses show that lower-than-expected turnover rates are positively associated with future firm performance. Overall, the empirical evidence suggests that cultivating a positive work environment could mitigate collective turnover risks during financial downturns and enhance firm performance.

3.07: Employee Turnover
1/10/2025
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Work Culture and Employee Turnover Intention

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This paper examines whether and under what conditions corporate work culture influences employees' turnover intentions. Using large-scale survey data, we identify two primary work culture factors â€“ comfort factors and competence factors, and find that both factors are negatively associated with employees' intention to leave the company. Findings further indicate that, while there is relatively little variation in the effectiveness of comfort factors, competence factors are more effective in companies that are less mature, more reliant on human resources, and experiencing greater performance improvement. Also, competence factors are effective only when combined with satisfactory reward systems. Additional analyses show that actual turnover rates are negatively associated only with comfort factors, inferring a potential role of competence factors as a sorting mechanism for motivated employees.

3.07: Employee Turnover
1/10/2025
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Predicting Voluntary Employee Turnover Using Machine Learning: The Surprising Efficacy of a Simple Logit Model Based on Common Employee Characteristics

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This study examines the predictive value of common employee characteristics versus employee behavioral data in forecasting voluntary turnover. Our results show that a simple Logit model based solely on employee characteristics outperforms the more complex RUSBoost model. Adding behavioral data does not enhance the Logit model's performance. However, it significantly improves the RUSBoost model's accuracy, provided the data is manipulation-free. This improvement comes with increased performance volatility for the RUSBoost model compared to the Logit model. Our findings underscore the predictive power of common employee characteristics and the efficacy of a Logit model based on employee characteristics only in an important management application with small sample sizes.

4.01: Artificial Intelligence
1/11/2025
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The Impact of 'Artificial Intelligence Members' on Employee Performance and Team Commitment

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As enterprises progress in their digital transformation, artificial intelligence (AI) is increasingly integrated into teams, assuming roles that simulate human cognition and decision-making, effectively becoming a novel 'member.' This study investigates the differential effects of introducing a high-performing AI versus a new human colleague on employee performance and team commitment. We conduct an online behavioral experiment with enterprise employees to measure these outcomes. The findings indicate that AI integration, compared to new human employees, significantly enhances employee performance while simultaneously reducing team commitment. These effects are mediated by negative emotions and moderated by the compensation structure. This research contributes to the understanding of relational conflicts and emotional dynamics in human-AI hybrid teams and offers insights into the pathways through which competitive mechanisms influence employee behavior and performance. The study provides practical guidance for managers in organizations undergoing digital transformation, highlighting strategies to balance performance enhancement with team cohesion.

4.01: Artificial Intelligence
1/11/2025
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Improving Inventory Management Quality with Reinforcement Learning: AI versus Human Decision-Making

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A limited understanding of AI behavior leads to the gap between academic research in developing inventory management models and their practical applications. In this study, we employ reinforcement learning (RL) to construct an artifact for inventory decisions. Through both a laboratory experiment involving certified public accountants (CPAs), and a field experiment conducted within a Chinese listed firm, our RL-based artifact demonstrates superior proficiency in reducing inventory costs and exhibits greater rationality, objectivity, and fewer biases when compared to human decision-makers. Interviews with practitioner not only reveal their recognition and enthusiasm for the RL-based artifact in improving inventory quality but also illuminate challenges and offer suggestions for enhancing the managerial adoption of AI-driven technologies. Although these results are specific to a particular inventory application, the lessons learned are applicable to other judgment and decision-making contexts. Overall, our findings underscore the potential of AI in improving management quality and provide new insights into the alignment between emerging technologies and management practices.

4.01: Artificial Intelligence
1/11/2025
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Employer and Employee Responses to Generative AI: Early Evidence
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ChatGPT's release potentially has a profound impact on the workplace. This paper examines the immediate responses of employers and employees to Generative AI. We construct a high-frequency, forward-looking measure of exposure to Generative AI from task- and occupation-level data that directly links to employer demand. Using a generalized difference-in-differences approach, we find that, unlike previous generations of automation, Generative AI primarily affects white-collar jobs that require critical thinking and creativity, while blue-collar jobs remain largely unaffected. Contrary to the conventional view of automation uniformly displacing workers, we find a heterogeneous effect: Generative AI can be complementary for high-skilled white-collar labor (e.g., executive positions) but substitutive for low-skilled white-collar labor (e.g., entry-level office positions). Our findings suggest that mere exposure level is an insufficient predictor for shifts in the labor market, as Generative AI can complement certain skills. Further, we show that firms with greater exposure to Generative AI significantly increase emphasis on Generative AI and machine learning skills in job listings. We provide novel evidence on employee reactions and find a notable decline in the long-term outlook, although current employee ratings of firms remain stable. Potential employees seek fewer interviews, indicating a shift in hiring dynamics. Our findings suggest that heightened exposure to Generative AI does not inherently result in employee displacement; rather, it may increase demand for high-skilled labor due to the evolving employment landscape. Furthermore, our results suggest a mismatch in the reactions of employers and employees toward Generative AI.

4.02: Sharing
1/11/2025
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Sharing Knowledge for Profit or for the Greater Good: The Effects of Task Objective, Relative Performance and Rankings
Mandy Cheng (1), Wei Chen (1)
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Organizations are increasingly allocating resources to activities that advance their social and environmental performance. In this study, we question whether managers' knowledge sharing behavior in response to peer performance information varies depending on whether they are performing a task with a social objective or a profit objective. We conduct an experiment to examine the effect of task objective, relative peer performance and ordinal rankings on managers' willingness to share knowledge in the presence of peer performance information. We find that managers share more knowledge in a social objective task compared to a profit objective task. In the absence of ordinal rankings, managers withhold more knowledge for a better-performing peer than a worse-performing peer in a profit objective task but not in a social objective task, which indicates that managers are less sensitive to relative peer performance in a social objective task. However, when managers receive ordinal rankings from their organization, the effect of relative peer performance becomes weaker in a profit objective task but stronger in a social objective task. Our results contribute to our understanding about the task effect on knowledge sharing and inform organizations about the importance of tailoring the provision of ordinal rankings in promoting managers' knowledge sharing behaviors to different task objectives.

4.02: Sharing
1/11/2025
8:30:00 AM 10:00:00 AM

Shared Social Context and Incentive Contract Complexity: Evidence from the Bonus Allocation Practice of a Hospital

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In this study, we explore the design of incentive contracts in the context of shared social context among organizational members. We propose that a shared social context fosters the formation of relational contracts, which sustain incentive provision and reduce the need for formal, more complex incentive contracts. Using personnel and performance data across departments within a large, comprehensive hospital, we measure incentive contract complexity by the extent to which bonuses are allocated based on multiple performance aspects beyond individual workload. Our findings support our prediction that incentive contract complexity is negatively associated with a department's shared social context, as indicated by physicians' (1) common educational background, and (2) shared working experience. This negative relationship is more pronounced in departments with a higher degree of multi-tasking. Additionally, we document a substitutive relationship between shared social context and incentive contract complexity in driving better future performance, as reflected in patient satisfaction. Overall, this study provides empirical support for the longstanding notion that cultural controls can be a valuable alternative when formal controls are challenging to implement.

4.02: Sharing
1/11/2025
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The Dynamics of Upward Knowledge Sharing: An Experimental Examination

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Knowledge sharing is a powerful component of organizational success. However, in a hierarchical structure, supervisor's resistance to receiving knowledge from their subordinates can stifle knowledge sharing, negatively impacting organizations' performance. Overcoming the deeply ingrained power imbalance resulting from hierarchy is essential for facilitating effective knowledge sharing and fully leveraging the teams' diverse expertise and perspectives. Accordingly, we use an experiment to explore upward knowledge sharing within the supervisor-subordinate relationship and examine how supervisors respond when they receive knowledge shared from their subordinate. We draw on power dependency theory to predict and find that supervisors respond more negatively to upward knowledge sharing when they have overlapping expertise with their subordinate. However, we also provide good news in that we find that when supervisors who have overlapping expertise receive override incentives (i.e., those dependent on subordinates' performance), rather than incentives only linked to their individual performance, they respond more positively to upward knowledge sharing when evaluating their subordinate's performance. In contrast, we find that supervisors who have overlapping expertise and individual incentives effectively punish their subordinate with lower performance ratings for sharing knowledge upward. Finally, we predict and find that subordinates condition their choice to share knowledge upward based on their supervisor's reaction, highlighting the importance of the supervisors' behavior in shaping collaboration within the team.

4.03: Prosocial Behavior and Fairness
1/11/2025
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Does Attitude Matter? The Effects of Incentives and Employees' Environmental Attitude on Work-Related Carbon Reduction Behavior

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Firms are developing incentive systems to encourage work-related carbon reduction behavior (WCRB), an important source of ESG performance. However, the effects of external incentives on WCRB remain inconclusive, and the interaction between these incentives and employees' environmental attitudes is understudied. Using an experiment where participants made commuting choices with varying behavioral or environmental costs, we examined the effects of incentives and environmental attitude on WCRB. Drawing on economic and norm-activation theory, we predicted and found that both monetary and eco-friendly incentives significantly increase WCRB. A positive environmental attitude encourages WCRB, with the effect being more pronounced when an eco-friendly incentive is offered (versus a monetary incentive). Furthermore, in terms of offsetting the negative impact of increased behavioral cost on WCRB, an eco-friendly incentive outperforms (underperforms) a monetary incentive for employees with a positive (less-positive) environmental attitude. Our study contributes to a deeper understanding of incentive schemes designed to promote WCRB.

4.03: Prosocial Behavior and Fairness
1/11/2025
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The Effect of Input-Oriented Performance Reporting on Cross-Functional Team Membersâ€™ Collaborative Effort

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Firms often rely on cross-functional teams (hereafter, CFTs) in which employees with diverse expertise work together to achieve a common goal. CFTs, however, often fall short of producing expected results due to a well-documented 'silo mentality' mindset, which hinders collaboration among employees from different departments. Owing to the collaboration challenges faced by CFTs, we experimentally investigate how CFT members' reporting of input-oriented performance measures affects their allocation of effort toward collaborative (as opposed to individualistic) cross-functional tasks. We predict and find that input-oriented reporting decreases CFT members' effort toward collaborative cross-functional team tasks. We also find that the negative effect of input-oriented reporting on collaborative effort appears robust to CFT members' relative alignment with the CFT's purpose. Results of our study suggest that firms may need to consider the potential cost of reduced collaborative behavior when weighing the net benefit of requiring CFT members to report more input-oriented information.

4.03: Prosocial Behavior and Fairness
1/11/2025
8:30:00 AM 10:00:00 AM

Egalitarianism versus Meritocracy: When is it Fairer to Train Low-Performing versus High-Performing Employees?

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Employee training is crucial for the growth and success of any organization. When training resources are limited, managers often face a dilemma: should they assign valuable but costly training to low-performing or high-performing employees? While low performers can benefit more from training than high performers, managers must consider employees' fairness concerns. Using an experiment, we examine how employees react to their manager's training assignment decision, and how their reciprocal reactions are moderated by their control over job tasks. When employees have little control over their job tasks, we find that egalitarian norms dominate. Consequently, low performers react more negatively than high performers when not selected for training, while low performers react less positively than high performers when selected for training. In contrast, when employees have more control over job tasks, meritocratic norms dominate, and therefore high performers react more negatively than low performers when not selected for training. Overall, our study helps managers make more effective training allocation decisions.

4.04: ESG Topics
1/11/2025
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Is it Safer to Work in Firms with Higher CEO Pay Ratios?

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The Securities and Exchange Commission (SEC) requires companies to disclose the Chief Executive Officer (CEO)-work pay ratio under section 953 (b) in the Dodd-Frank Act, effective as of January 1, 2017. This rule aims to improve the transparency of CEO compensation. This study investigates the association between the firms' CEO-worker pay ratio and labor violation. We document three findings. First, after addressing the sample selection bias, we find that a firm's CEO pay ratio is negatively associated with the frequency of labor violations. This result indicates that firms with higher CEO pay ratios provide employees with a safer workplace. Second, both firms' industry union membership and labor investment efficiency, along with the CEO pay ratio interactively impact the negative association between the CEO pay ratio and labor violation. The negative association between the CEO pay ratio and labor violations is more evident when firms have higher industry union membership and higher labor investment efficiency. Finally, we find a positive association between the interactive role CEO pay ratio with financial analyst coverage and labor violations. Overall, firms with a higher CEO-worker pay ratio report a lower frequency of labor violations, indicating a safer workplace.

4.04: ESG Topics
1/11/2025
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The Power of Supplierâ€™s ESG Performance: The Relationship between Customer Concentration and Firm Performance

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This paper examines the effect of customer concentration on suppliers' firm performance and whether it can be enhanced by a supplier's superior environmental, social, and governance (ESG) performance compared to its major customers. We use Taiwanese publicly listed firms as the research sample because they primarily operate as exporters and important suppliers in the global supply chain. We manually match a supplier and its major customers and collect the supplier-customer matching data from 2015 to 2021. We also measure a supplier's ESG performance relative to its major customers. Our results show suppliers' performance is negatively associated with customer concentration. However, a supplier's superior ESG performance, relative to that of its major customers, mitigates the negative effect of customer concentration on the supplier firm's performance. We also find these results hold in future periods and suppliers' better ESG performance, especially in the environment, likely helps strengthen relations with major customers. Keywords: Customer concentration, suppliers' firm performance, supplier's ESG performance

4.04: ESG Topics
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Social and Financial Incentives and Labor Cost Management: The Case of Credit Unions

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This study examines how social and financial incentives influence credit unions' labor cost management. We first document that credit unions exhibit labor cost stickiness (i.e., costs are more resistant to decreases in activity than to increases). We then explore three key incentives and their connections to labor cost stickiness: worker welfare, community social factors, and financial pressures. We find labor costs exhibit greater stickiness for credit unions in states with stronger worker protections, in counties with higher social capital, and in those serving more minority and low-income members. However, we observe lower labor cost stickiness when credit unions report losses, have low regulatory capital, and in response to the financial crisis, suggesting that they are not immune to financial pressure. Our paper sheds light on how nonprofit financial institutions like credit unions consider social and financial incentives in their cost decisions.

4.05: Audit Setting
1/11/2025
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Task Structure and Burnout of Early-Career Auditors

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Young talents cite boring work and burnout as top unattractive features of accounting jobs. Standards, codifications, and regulations add structure to accountants' work. High structure makes tasks mechanical and painful to complete, but low structure makes tasks ambiguous and complex. It is unclear how task structure relates to burnout. We propose a moderator: employees' preferred amount of task structure, which has received less attention in accounting than their abilities to perform tasks of varying structure. We predict that the bigger the gap between employees' preferred and perceived amount of task structure, the greater their burnout. By surveying 300+ early-career auditors from six large firms, we observe a gap on task structure among 89 percent of participants. The bigger the gap, the greater the burnout, even after controlling for the excessive job demands during busy season and distress created by a pandemic. Thus, burnout is more than how much employees work, but also whether they like the structure of their work. Closing the gap on task structure is important to making accounting more interesting and protecting the shrinking workforce.

4.05: Audit Setting
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Audit Job Vacancy Duration

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There have been mounting concerns about the difficulties in filling audit staff positions. Nevertheless, empirical research is limited as to whether the audit labor market frictions compromise audit processes and outcomes. This study aims to fill this gap by focusing on the audit job vacancy duration, which represents the time an audit office spends searching, selecting, and hiring for an audit staff job position. Using granular job posting data, we provide robust evidence that the audit job vacancy duration is associated with compromised audit quality. This association is largely driven by delays in hiring middle-level staff (seniors and managers). We also find that the adverse effect of audit staff vacancy duration is more pronounced for offices facing greater audit complexity, tighter audit schedules, and higher competition. By contrast, the effect is attenuated for offices with greater non-audit services and analytic capabilities.

4.06: Feedback and Framing
1/11/2025
8:30:00 AM 10:00:00 AM

Textual Feedback as a Control Mechanism: Evidence from Patient Comments

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We examine textual feedback using tens of thousands of patient comments and their corresponding numerical ratings of medical care providers. Patient comments incrementally explain care providers' current overall numerical ratings beyond granular subcomponent ratings. Moreover, care providers appear to use the information in written comments to improve performance in the future; after controlling for numerical ratings, care providers' future performance improves when they receive textual feedback that is more negative, specific, or salient, although specific comments appear to have a greater impact when they are not negative. We examine nuance in these average results by tying the content of comments to directly related outcomes. Comments about wait times are associated with longer future wait times when the feedback is not negative, specific, or salient, perhaps because care providers have already maximized performance on this dimension. Further, care providers who receive patient comments about medical mistakes experience a reduction in future mortality rates regardless of the manner in which the feedback is given, suggesting stylistic attributes of comments do not matter when they include information that is inherently negative, salient, and specific. Our results suggest that patient comments provide valuable feedback to care providers, even though patients have a disadvantage in terms of medical knowledge and expertise.

4.06: Feedback and Framing
1/11/2025
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A Critical Evaluation of Loss Aversion as the Determinate of Effort in Compensation Framing

James Wilhelm (1), Timothy Shields (2)
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A robust finding in managerial accounting research is that participants prefer economically equivalent contracts framed as bonuses to penalties. Another finding is that participants put forth more effort when facing penalty contracts than equivalent bonus contracts. Both results are commonly described as due to loss aversion, an integral portion of prospect theory. We test whether loss aversion is correlated with higher effort in an experiment with two parts. In the first part, we elicit individual participants' loss aversion using two measures. In the second part of the experiment, participants choose costly effort to increase the likelihood of high versus low state-contingent payoffs framed as bonuses or penalties. We find significant differences in the effort chosen between treatments: participants put in significantly more effort when facing penalty contracts. However, we find no evidence that the degree of loss aversion from either measure correlates with effort choices as predicted by prospect theory. We find that only a quarter of participants act consistent with the prospect theory, and for those, we see little evidence of the commonly cited features of loss aversion. While the most cited reason for framing incentives changing participant behavior is loss aversion, our results suggest that this reason is falsified. While the results from prior studies are replicable, the untested underlying mechanism is not loss aversion.

4.06: Feedback and Framing
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You Gotta Do Better, But I Feel You! The Effects of Empathetic Messages and Performance Goal Specificity on Task Performance and Misreporting

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In this study, I examine how managers' empathetic messages interact with the specificity of performance goals to affect performance and misreporting in a negative performance feedback setting. I conduct a 2Ã—2 between-subjects experiment, manipulating the presence of managers' empathetic messages and the specificity of performance goals. I hypothesize and find that managers' empathetic messages in negative performance feedback lead to greater task performance than no empathetic messages, and this motivational effect is more pronounced when performance goals are specific than when performance goals are less specific. I hypothesize and find limited evidence that managers' empathetic messages lead to less misreporting than no empathetic messages only when performance goals are specific. My findings extend research on managerial control systems by documenting managers' empathetic messages as a contributing factor of the effectiveness of negative performance feedback. The findings also contribute to the empathy literature by investigating employees' responses to managers' empathy and may help managers increase the effectiveness of showing empathy in performance evaluations.

4.07: Cost and Expenditure
1/11/2025
8:30:00 AM 10:00:00 AM

Cost Uniqueness and Tax Avoidance

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This study examines whether a firm's cost uniqueness, defined by its distinctive operating characteristics, affects its tax avoidance. We hypothesize that cost uniqueness reduces detection risks by increasing information opacity, thus promoting tax avoidance. Based on firm-year observations from the Compustat annual data file for the period 1994-2021, we find that cost uniqueness is negatively associated with cash effective tax rates (ETR) and GAAP ETR, suggesting that firms with more cost uniqueness tend to engage in greater tax avoidance. Further, we find this negative association to be stronger when the firm has a higher level of information opacity and weaker when the firm has a higher percentage of institutional ownership. Our results are robust to endogeneity and reverse causality tests, using alternative metrics of tax avoidance, and including additional control variables. Overall, our findings aid to our understanding of how a firm's cost uniqueness, internal operational characteristics, can affect its tax decisions.

4.07: Cost and Expenditure
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Quiet Investment: Overconfident CEOs and Capex Guidance
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We study how CEOs' overconfidence affects their propensity to issue capex guidance using a combination of analytical modeling and archival analyses. Perhaps surprisingly, our model predicts that overconfident CEOs are less likely to issue capex guidance. The broad intuition is that overconfident CEOs overinvest from the shareholders' perspective, and this perceived overinvestment is particularly strong for disclosing CEOs, leading to a smaller share price benefit of disclosure. Empirical tests confirm this prediction. Cross-sectional tests confirm other model predictions that overconfident CEOs are especially unlikely to issue capex guidance in settings where shareholders have lower confidence in the firm, or there are higher proprietary costs of disclosure. Our results provide nuance to the ongoing discussion on the effects of CEO overconfidence.

4.07: Cost and Expenditure
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Prescription for Savingsâ€"Disclosure or Oversight?

Ginger Scanlon (1)
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The market for prescription drugs in the United States is complex and rising costs are cause for concern. Recent regulatory efforts to rein in drug prices have targeted pharmacy benefits managers, or PBMs. These opaque middlemen negotiate with drug makers on behalf of health plans and hence are subject to inter-firm agency issues. I study the effectiveness of two types of information increasing regulation in reducing drugs costs for patients and health plans: regulation that forces disclosure by PBMs and regulation that establishes oversight of PBMs. I find that both disclosure and oversight increase prescription drug costs for patients. The effect on health plan costs varies: disclosure decreases costs for monopoly drugs, where drug makers previously had an information advantage, but disclosure increases costs for competitive drugs, suggesting drug makers collude to minimize discounting post-disclosure. Regulatory oversight reduces health plan costs on average, driven by cost reductions for the most commonly filled prescriptions. These results inform regulators and policy-makers as they address drug costs specifically and other inter-firm agency issues more generally.

4.08: Performance in Teams
1/11/2025
8:30:00 AM 10:30:00 AM

Driving Fluid Teams’ Performance: Evidence from Operating Room Turnover

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This study examines the effectiveness of relative performance information and incentives in improving 'fluid team' performance. Fluid teams are 'groups with unstable membership that organizations create and hold responsible for one or more outcomes' (Bushe and Chu 2011). We use field data from a hospital setting where incentives â€“ both implicit and explicit â€“ were introduced to reduce operating room (OR) turnover time â€“ the time between subsequent surgeries. The teams that perform these turnovers exhibit varying degrees of fluidity. In line with prior research, we find that greater team familiarity (i.e., lower fluidity) is associated with better performance. Contrary to what prior research has shown in the context of stable teams, we find that implicit incentives in the form of the provision of relative performance information (RPI) do not affect fluid teams' performance, independently from the degree of fluidity. In contrast, explicit incentives in the form of tangible rewards (i.e., gift cards) have positive fluid team performance effects which are more pronounced when familiarity among team members is higher (i.e., in less fluid teams). Our results extend our knowledge of fluid team performance by examining the effectiveness of implicit and explicit incentives. Since fluid teams are commonly used in many organizational settings across industries, our findings have important practical implications for managers operating in such environments.

4.08: Performance in Teams
1/11/2025
8:30:00 AM 10:30:00 AM

Individual Consequences of Joining Cross-Departmental Teams: Perspectives from Multitasking and Learning

Yiwei Li (1)
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This study investigates the impact of implementing cross-functional teams on individual employee performance through a quasi-random field experiment. The findings reveal that both team members and related non-members experience a decline in performance on routine tasks in the short term. This outcome contradicts the predictions of traditional multitasking theories in accounting and economics, which suggest that employees should prioritize more measurable and explicitly incentivized tasks over implicitly incentivized team tasks. Further cross-sectional analyses indicate that the primary drivers of this negative effect are active experimentation and difficulties in adapting to the demands of innovative team projects. Long-term analysis shows that the negative impact dissipates once the teams disband. In addition, employees benefit through a learn-by-doing process during their involvement in team projects. These findings offer important insights for managers when structuring cross-functional teams, highlighting the need to balance the short-term costs of diminished routine task performance with the long-term benefits of employee learning and development.

4.08: Performance in Teams
1/11/2025
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The Role of Collective Pay-for-Performance in Incentivizing Top Management Teams
Melissa Martin (1), Sebastian Firk (2), Paula Van Veen-Dirks (2), Alexander van Slooten (3)
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Prior research on executive compensation design has largely focused on the agency conflict between shareholders and the individual manager, leading to the belief that optimizing individual bonus contracts from a single-agent perspective will maximize the overall output of the top management team (TMT). In this study, we challenge this assumption, arguing that the collaborative synergies among executives necessitate a shift toward more collective, rather than individual, pay-for-performance (PFP) to align incentives within the TMT. We identify collective PFP by measuring the degree to which individual cash bonus contracts for TMT members use the same underlying performance metrics (i.e., performance metric overlap). We expect the benefits of such collective PFP, in terms of incentivizing knowledge exchange and integration, to increase in more functionally diverse TMTs with greater potential for collaborative synergies. We hypothesize, and find, a positive association between TMT functional diversity and the use of collective PFP. We also find support for our hypothesis that alignment of TMT functional diversity and collective PFP is associated with improved performance. Supporting the proposed knowledge-sharing mechanism, additional tests show that these results are more pronounced for firms that rely on a knowledge-based business model.

5.02: Management Control Systems
1/11/2025
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Stuck in the Middle: Middle Manager Power and the Effects of Management Control Practices on Role Outcomes
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The purpose of this study is to examine how management control (MC) practices influence the effects of power experienced by middle managers on role outcomes. Middle managers are critical to highly functioning organizations but often feel stuck between the conflicting demands of subordinates on the one hand and superiors on the other. Using survey data from 125 managers we find that middleness (i.e., managers' perception that they have neither consistently higher nor lower levels of power across hierarchical interactions) is positively associated with role stress and negatively associated with strategic role effectiveness. We then examine whether two MC practices, an enabling use of the performance measurement system (PMS) and the relative balance between local and firm-level measures used for performance evaluation, mitigate or exacerbate the negative behavioral effects of middleness. We find that an enabling PMS mitigates the positive effect on role stress and the negative effect on strategic role effectiveness. In contrast, we find that a balanced performance evaluation exacerbates the negative effect on role stress. In sum, we conclude that middle managers are indeed stuck in the middle, and that MC practices can both mitigate and exacerbate the negative effects depending on how they are employed.

5.02: Management Control Systems
1/11/2025
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Effects of Previous Control System Strength on Subsequent Trust

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Successful cooperation is crucial to the success of inter-organizational relationships. However, facilitating cooperation in any collaborative endeavor is challenging. Prior literature has explored the possibility of management control systems including financial incentives for cooperative behavior to facilitate trust and cooperation. Using a laboratory experiment we examine perceptions of trust resulting from variation in the strength of the financial incentives used in the management control system of partnering organizations. Our results suggest that variation in control system strength complicates cooperative environments by biasing trust levels of potential partners. Given the diversity of management control systems utilized by organizations, our results extend the current management accounting literature with regards to cooperation and trust in inter-organizational relationships.

5.02: Management Control Systems
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Behind the Wheel: Managers' Influence on Management Control Systems In SMEs

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Abstract Purpose: This study examines how managers influence the design and use of management control systems (MCS) in small and medium-sized enterprises (SMEs). We analyze firms' MCS and managers' control preferences and the mechanism through which managers exert influence on MCS design and use. Theoretical underpinnings: Using upper echelons theory (Hambrick and Mason, 1984), we examine how managers influence the strategic design of MCS in their firms. To assess MCS, we used Merchant and Van der Stede's controls typology. From the in-depth study cases, we theorize the mechanisms through which managers influence MCS. Design/ Methodology: The research is conducted as a qualitative multiple-case field study that undertakes in-depth semi-structured interviews and questionaries at seven SME suppliers of the Chilean mining industry. Intra- and cross-case analysis followed. Originality/ Value: The study explores the MCS package in SMEs and how its design reflects the influence of managers' preferences and characteristics, both underexplored topics with significant practical and economic relevance.

5.03: Cohesion and Competition in Organizations
1/11/2025
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The effects of performance information distribution on team norms and employee preferences for performance targets

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Organizations can rely on team or individual performance targets to motivate and guide employee effort. We examine employee preferences for performance targets in a field setting where senior management contemplated shifting from team targets to individual targets. We theorize that team norms affect employee target preferences, with two key dimensions â€“ cohesion and competition â€“ exerting opposite effects. We also theorize that by distributing team or individual performance information, team leaders influence team norms, and, indirectly, target preferences. Distributing team performance information emphasizes joint effort and cohesion, while distributing individual performance information enables social comparison, emphasizing competition. Survey data confirm that employees exhibit a lower (greater) preference for individual performance targets over team targets in more cohesive (competitive) teams, and that team leaders influence team norms through performance information distribution. Our findings emphasize the value of understanding employee preferences in control design, and the interplay with team norms and leaders' information sharing.

5.03: Cohesion and Competition in Organizations
1/11/2025
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Management Control in Hybrid Contexts: The Role of Peer Monitoring for Telecommutersâ€™ Career Prospects

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(1) Vienna University of Economics and Business, Vienna, Austria, (2) WU Vienna University of Economics and Business, Vienna, Austria

Firms increasingly rely on employees monitoring each other as a control choice. Particularly in hybrid work settings, where supervisors tend to have less direct managerial oversight, monitoring by peers who regularly collaborate can be valuable. However, while it makes sense to encourage peer monitoring from a supervisor perspective, it may also come at a cost. Based on survey data from 220 U.S.-based employees, we find evidence that individuals who telecommute to a higher extent fear that their career prospects are at risk when faced with strong peer monitoring. In line with literature on trust, in-group bias, and informal hierarchies, we find that this association is stronger for employees who have only recently started their job, for teams with low social cohesion, and work environments where peers differ substantially in their telecommuting habits. Finally, we also show that such lower perceived career prospects significantly increase employees' intention to leave, making a potential loss of talent an important aspect to consider when introducing peer-based controls in a hybrid work context.

5.04: Performance Management 2
1/11/2025
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Measuring Organizational Capital
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Prior research has pointed to differences in organizational capital as a reason for the persistent performance discrepancies among similar firms. In this paper, we develop and validate new measures of organizational capital. Based on over a million crowd-sourced employee reviews scraped from Glassdoor, we construct the measures of organizational capital at the firm-year level using the word embedding model and ChatGPT-generated synthetic reviews. Our measures vary over time in accordance with macro trends, and differ both across and within firms, reflecting firm heterogeneity and major internal changes. We validate our measures by testing empirical predictions of the properties of organizational capital discussed in prior literature. Our findings suggest that this measure captures a slowly evolving intangible asset that significantly impacts firm performance and is actively shaped by top management, aligning with the conceptualization of organizational capital by Dessein and Prat (2022). We further showcase applications of our measures in accounting, economics, finance, and management literature. Taken together, the paper provides implications for various stakeholders who are interested in assessing and managing firms' organizational capital.

5.04: Performance Management 2
1/11/2025
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Financial Education, Employee Mental Health, and Employer Productivity
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Personal financial concerns impact employees' mental health and make it harder for them to be productive at work. Financial education can alleviate these challenges and allow employees to apply their cognitive capacity towards work. We document increased total factor productivity and labor productivity for employers headquartered in states that have adopted financial education mandates relative to employers headquartered in states without such mandates. We use survey data to provide corroborating evidence of financial education mandates enhancing the labor supply of mentally healthier employees. Our findings deepen our understanding of the benefits of financial education and the impact of a mentally healthier workforce on productivity.

5.04: Performance Management 2
1/11/2025
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Information Access Frequency and Managerial Performance

Joseph Moran (1)
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Theoretical and practitioner literature argue that accessing detailed internal reporting allows managers to improve their decision-making. However, the fact that such reporting may not be informative to lower-level managers who can observe operational activity, as well as factors such as managers' limited attention and information overload, may attenuate or reverse these improvements. Using a proprietary click-level dataset of retail frontline managers' access to detailed drilldown information underlying top-level KPIs, I find that the extent to which managers access drilldown data in the retailer's reporting system is associated with more favorable store performance. While I find that superiors' use of the same information to monitor the managers increases the rate at which they access drilldown data, I find evidence supporting and contradicting the theoretical prediction that this monitoring use negatively affects the information's value for decision-making. These results suggest that low-level managers can benefit from consuming accounting information and that the tradeoff between performance information's decision-supporting and monitoring roles may be more multifaceted than predicted.

5.05: Disclosure
1/11/2025
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Top Management Team Composition and Risk Factor Disclosures

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Risk factor disclosures provide valuable information to stakeholders. These disclosures are created by broad processes, involving not only CEOs and CFOs but also various other managers across the firm, yet little is known about how top management team composition is associated with risk disclosure quality. This study examines whether team background diversity and joint work experience of the top management team are associated with risk disclosure quality. Findings show that teams with more overall diversity (measured through functional experience, education, and team tenure) and more joint work experience (measured through team tenure overlap) issue disclosures that are more readable and more focused on firm fundamentals. We also find team diversity is most important in accounting roles as opposed to non-accounting roles. Cross-sectional tests show that the impact of team diversity and joint tenure on the readability of risk disclosures are strongest in a complex business environment. Finally, our results are robust to using an alternate team that should also influence risk factor disclosure quality: the audit committee. Overall, our findings provide evidence on how group composition within relevant teams can influence risk disclosure properties.

5.05: Disclosure
1/11/2025
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Proprietary Costs and Divisional Transparency

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This study examines the response of firms with high proprietary costs to the transparency requirements of SFAS 131, which mandates external reporting of firms' internal divisional structure and performance. We posit that firms with high proprietary costs react to the disclosure requirements by restructuring their internal divisional structure. Analyzing a sample of 1,563 firms through a difference-in-differences approach, we observe a significant increase in net divisional manager hires among high proprietary cost firms after the mandate was announced, indicating the restructuring of internal divisions to reduce divisional transparency. We confirm these changes in internal divisional structure are not attributable to general firm restructuring or growth. Furthermore, firms that restructured their internal divisional structure show decreased ex-post performance, suggesting net costs. Our findings highlight how proprietary costs can drive changes to firms' organizational structure that diminish the effectiveness of transparency regulations.

5.05: Disclosure
1/11/2025
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How Executive Turnover Affects Earnings Announcement Disclosure Content and Formatting Choices

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We examine the influence of individual executives on the strategic content and for matting of earnings announcements, a critical disclosure channel in capital markets. Despite the extensive focus on earnings announcements in prior research, the produc tion of these disclosures remains underexplored. Utilizing a sample of 190,821 earnings announcements and examining 4,769 CEO and 6,682 CFO appointments from 2004- 2019, we study how executive turnover impacts disclosure practices. Our findings reveal that both CEOs and CFOs significantly influence earnings announcement content and formatting, with CFOs playing a dominant role. CEOs affect earnings, revenue, and EBITDA formatting choices, while CFOs focus on other metrics, such as EBIT and operating cashflow. The impact of newly hired executives is more pronounced when they are recruited externally, suggesting that these executives transfer disclosure practices from their previous firms to their new ones. This influence manifests immediately, suggesting that long tenure is not necessary for imprinting disclosure styles. Our study highlights a dynamic aspect of disclosure policies, driven by executive turnover. These insights enhance our understanding of the interplay between executive characteristics and firm disclosure strategies, underscoring the significant role of top executives in shaping how firms communicate financial performance to the market

5.06: Strategy and Investment Decisions
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Combative or Supportive? The Effects of Mission and Performance Reporting Framing on Exploration Decisions in Nonprofit Organizations
Li Yang (1)
(1) University of Illinois at Urbana-Champaign, Champaign, IL

Mission statements and performance reporting are important management control tools that guide program decisions in nonprofit organizations. A key feature of nonprofits' mission statements is whether the mission is framed as combatting negative outcomes or supporting positive outcomes. While prior research suggests that combative missions may attract more donations than supportive missions, little is understood about the potential effects of combative missions on internal decision making. In this study, I predict and find that when performance reporting emphasizes completed progress toward mission fulfillment, managers are less likely to invest in exploration activities under a combative mission than under a supportive mission. However, the effect is mitigated when performance reporting emphasizes remaining progress toward mission fulfillment. My results suggest that combative missions may produce an unintended effect of exacerbating nonprofits' tendency to refrain from exploration, but performance reporting that emphasizes what remains to be accomplished, rather than what has been accomplished for the mission, can mitigate this problem.

5.06: Strategy and Investment Decisions
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Profit vs. Strategy: Capital Budgeting Processes Under Financial Constraints and Shifts of Focus from Expected Returns to Strategies Using Real Options

Seung Kyo Ahn (1)
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Investment processes are an important managerial activity that translates firms' strategies into tangible action plans. In investment processes, managers ideally need to balance the expected returns of investments - commonly denoted using profitability measures - with potential strategic benefits. However, academics and practitioners express concerns about managers' tendency to focus on profitability measures. By drawing research on scarcity, I find that financial constraints increase managers' tendency to prioritize investments with greater profitability measures over the ones that provide greater strategic benefits. I also find providing greater managerial flexibility by using real options can reduce this tendency. Given the prevalence of managers' financial constraints and the wide use of profitability measures, my study suggests that firms may benefit from increasing managerial flexibility in investment processes to increase managers' focus on strategic benefits but less on profitability measures.

5.07: Governance
1/11/2025
10:30:00 AM 12:00:00 PM

Nonprofit Board Busyness and Performance

Daniel Neely (1), Xiaoting Hao (1)
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Nonprofit boards play a crucial role in governing the nonprofit organization. The benefits of nonprofit board networks include increased resources and improved performance. However, an open empirical question remains whether nonprofit board members can be too busy serving networked nonprofits. We find that the level of nonprofit board busyness is associated with reduced performance suggesting that nonprofits should carefully monitor board member commitments to ensure board members can adequately attend to the demands of nonprofit board governance. Moderating this effect are the organization's strength of governance, age, and size suggesting organizations with poorer governance, less established, with fewer resources should pay particular attention to the commitments of their board members.

5.07: Governance
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Fare Enough? Private Communications with Proxy Advisors: Evidence from Taxi Rides between Public Companies and ISS in New York City

Melissa Martin (1), Jason Chen (1)
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This study examines the occurrence and consequences of private communication between public companies and proxy advisors on proxy recommendations. Using taxi rides between firm headquarters and ISS in New York City to capture private communication, our findings indicate that private communication is more likely to occur in years with a say on pay (SOP) vote and that this effect is stronger when incentives to help lessen the chance of an unfavorable recommendation are stronger, i.e., when a larger share of directors are up for (re)election and when the firm is subject to additional ISS scrutiny. Further tests indicate that increased private communication is associated with a greater likelihood of receiving a favorable recommendation. Moreover, additional results suggest that increased private communication is associated with more informative proxy recommendations, supporting the view that these communications facilitate greater informativeness for investors. Our study provides the first empirical evidence on the existence and impact of pre-recommendation private communication between public companies and proxy advisor firms.

5.08: Human-AI Collaboration and Perceptions
1/11/2025
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I Am No Human After All: Receiving Negative Feedback from AI versus Humans

Christoph Hoerner (1), Florian Elsinger (2)
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This study examines how varying the self-relatedness of feedback phrasing affects employees' fairness perceptions and performance depending on whether feedback comes from a human supervisor or an AI. Using an experiment, we manipulated feedback source (AI vs. human) and self-relatedness (low vs. high). Participants completed a real-effort task and received negative-valence feedback (weaker performance relative to a colleague). Our results reveal that high self-relatedness in feedback leads to greater fairness concerns and error-proneness when feedback comes from a human supervisor, but these effects are mitigated when feedback comes from an AI. Additionally, these effects of more self-related feedback from a human supervisor ultimately reduce growth in valid output over time. Our findings suggest that employees are less sensitive to feedback phrasing details when the source is an AI, likely due to reduced social image concerns and expectations of empathy. This research contributes to understanding the role of AI in feedback provision and management control by identifying potential advantages over human supervisors in managing employee perceptions and performance.

5.08: Human-AI Collaboration and Perceptions
1/11/2025
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AI in the Workplace: How Manager Perceptions Influence Subjective Performance Evaluations

Kaitlin Hudspeth (1)
(1) Georgia State University, Atlanta, GA

This study investigates how an employee's use of artificial intelligence (AI) impacts managers' subjective performance evaluations, particularly focusing on how managers' perceptions of AI influence their performance expectations and subsequent evaluations of their employees. Using an experiment manipulating AI reliability perceptions (reliable vs. unreliable) and performance outcomes (success vs. failure), I predict and find that managers expect higher performance from employees using AI perceived as reliable. Further, consistent with my prediction, I find greater discrepancies between managers' expectations and evaluations when an employee uses unreliable AI and exhibits successful performance. Additionally, successful performance is more often attributed to the employee when AI is seen as unreliable, whereas no significant attributional differences were found for unsuccessful performance. These findings highlight the importance of managers' perceptions of AI in shaping managerial expectations and evaluations.

5.08: Human-AI Collaboration and Perceptions
1/11/2025
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Do Algorithms Make Evaluators Harsher?

Jacob Zureich (1), Eddy Cardinaels (2)
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A common problem in performance appraisals is that evaluators avoid using the lower-end of the evaluation scale, failing to differentiate between employees and being too optimistic for underperformers. We argue that algorithm-assisted evaluations can address this problem by attenuating the psychological costs of giving low ratings. Results of an incentivized experiment support this theory. Specifically, evaluators who see algorithmic assessments of employee performance before providing their own rating give low ratings more frequently and provide harsher overall ratings than evaluators without access to an algorithm. These effects occur with both bonus and penalty contracts and, more importantly, evaluators are influenced similarly by lower- and higher-quality algorithms, despite evidence showing they recognize quality. These findings suggest that algorithms encourage evaluators to use the full evaluation scale, attenuating upward biases for low-performing employees. However, low-quality algorithms can distort evaluations because evaluators uncritically follow inaccurate ratings as a tool to justify low ratings. Thus, organizations should carefully consider algorithm quality because evaluators may not proactively adjust for inaccuracies.

6.01: Relative Performance Evaluation
1/11/2025
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Relative Performance Evaluation and the Level Playing Field

Lin Qiu (1), Tim Baldenius (2), Jing Li (3)
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Relative performance evaluation (RPE) is often used to filter out common shocks, but is prone to collusion. We study how RPE is affected by the playing field in terms of performance measurement or the production technology. While a tilted playing field is always costly in a static setting, it can be useful in a repeated setting, because it makes it harder for agents to collude. We identify conditions under which the principal prefers independent or joint performance evaluation if the playing field is level, but prefers RPE if is sufficiently tilted. In industries characterized by relatively low productivity, even with a level playing field, the principal may offer the agents asymmetric contracts as the cheapest way to combat collusion.

6.01: Relative Performance Evaluation
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How Do Reference Group Size and Relative Performance Incentives Affect Employee Effort?
Timothy Mallon (1)
(1) Indiana University - Bloomington, Kyle, TX

Managers often use relative performance evaluations to compare an employee's performance to the performance of others within a relevant reference group. These evaluations motivate employees to compete over favorable social comparisons and economic resources. I conduct a laboratory experiment to examine how the size of an employee's reference group affects employee effort under a fixed wage versus a relative performance incentive. Results suggest that increasing reference group size motivates greater employee effort under both a fixed wage and a relative performance incentive, and the relative performance incentive increases effort in small groups only. Further evidence suggests that these results are driven by increases in the social comparison value of relative performance information and heightened competitive pressure in larger reference groups and under the relative performance incentive. Overall, my study has implications for how managers organize and incentivize their relative performance evaluations.

6.01: Relative Performance Evaluation
1/11/2025
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The Impact of Tier-Based Leaderboards on Employee Motivation and Performance

Adam Bross (1)
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Motivating employees of different abilities poses a problem for management as methods for motivating one group is often at the expense of another. Using an experiment, I examine how the type of leaderboard (tier-based versus list-based) and position on the leaderboard (high versus middle versus low) influences the motivation and performance of individuals. In line with my predictions, tier-based leaderboards result in significantly higher levels of motivation when an employee is positioned either high or low. Moreover, middle levels have no significant difference. Additionally, I find individuals that positioned low perform significantly higher when a tier-based leaderboard is used, but there is no significant difference for middle or high placing individuals. Overall, my study provides new insight into the use of leaderboards as motivational tools for practitioners and extends research into leaderboards and organizational motivational tools.

6.02: Employee Compensation Contracts
1/11/2025
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Contracting on Aggregated Accounting Estimates

Jonathan Bonham (1), Amoray Riggs-Cragun (2)
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In a model where the agent has a very rich action space, we show that optimal contracting can be decomposed into three stages: constructing unbiased estimates of revenues and expenses, aggregating those estimates with weights of 1 and -1 (as opposed to weighting by sensitivity or precision), and compensating the agent on the aggregated estimate (net income). Unbiased estimates are produced by measurement that tends toward conservatism as the agent manipulates transaction characteristics. Taken together, our results provide a theoretical justification for tying executive pay to highly-aggregated GAAP accounting metrics like net income, a practice unexplained by conventional agency models.

6.02: Employee Compensation Contracts
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Enforcement Policy, Disclosure Regulation, and Investment Efficiency

Yiying Chen (1)
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The optimal enforcement policy of disclosure regulation remains controversial. Some regulators support focusing on serious violations, while others advocate pursuing even the smallest infractions. To contribute to this debate, this paper develops an analytical model to examine which enforcement policy is more desirable in inducing efficient investment. In the model, the manager chooses between a riskier project and a safer project and decides whether to disclose information about the firm's final payoff. The regulator requires the manager to disclose information and chooses between a uniform enforcement policy (i.e., pursuing violations regardless of severity) and a focused enforcement policy (i.e., pursuing only severe violations). The main finding is that a uniform enforcement policy is more desirable when the riskier project is optimal, as it encourages the manager to take efficient risks; in contrast, a focused enforcement policy is more desirable when the safer project is optimal, as it deters the manager from taking inefficient risks. This paper provides insights into the regulatory debate about the enforcement policy.

6.03: Incentives, Effort, and Task Strategies
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Conscientiousness, Incentives, and Task Strategies

Evelyn Intan (1), Sara Bormann (2), Michael Kosfeld (3), Anna Rohlfing-Bastian (4)
(1) Goethe-UniversitÃ¤t Frankfurt, Frankfurt, Germany, (2) Johann Wolfgang Goethe University, Frankfurt am Main, Germany, (3) Goethe University Frankfurt, N/A, (4) Goethe University Frankfurt, Frankfurt, Germany

This study explores how conscientiousness influences individuals' responses to incentives conditional on task complexity. Simple tasks tend to have a straightforward approach to solve them, whereas complex tasks allow for different solution strategies. Performance in complex tasks might thus not only be affected by effort levels, but also by the adoption of task-specific solution strategies. In this situation, the provision of incentives is likely to affect more dimensions of effort, for instance, the level and direction of effort provided. Our results based on a between-subject laboratory experiment indicate that changes in effort induced by incentives do not necessarily translate into changes in performance due to different task strategies. We find that, in the absence of incentives, conscientious individuals tend to work more diligently and prioritize quality over quantity. However, when provided with incentives, conscientious individuals change their strategy when solving complex tasks. Specifically, they work on a larger number of questions (quantity) at the expense of quality (fewer questions are solved correctly). This, in turn, is related to a decrease in performance for conscientious individuals.

6.03: Incentives, Effort, and Task Strategies
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It's Not All Fun and Games: The Effects of Gamification on Employee Adaptivity

Eric Chan (1), Mackenzie Feinberg (1)
(1) The University of Texas at Austin, Austin, TX

Firms are increasingly using non-monetary gamification (i.e., points, badges, levels, or PBLs) to motivate employee performance, yet little is known about its downstream effects on employee adaptivity. Using an experiment, we examine the effects of gamification on employees' 1) performance in an initial role, 2) willingness to switch to a new role, and 3) subsequent performance in the new role, and the moderating effects of employees' innate challenge-seeking trait. Results show that gamification improves employees' initial performance by motivating them to work longer unpaid hours. However, consistent with theory on role embeddedness, gamification reduces employees' willingness to switch to a new role, despite the potential to earn higher pay. Importantly, both effects are stronger for employees who are innately more challenge-seeking. Despite their initial reluctance, challenge-seeking employees continue to be motivated by gamification in the new role, but not challenge-avoidant employees. Finally, in a supplemental experiment in which we implement an alternate gamification system that reduces role embeddedness, we find that both the negative and positive effects of gamification on employee adaptivity dissipate. Overall, notwithstanding the initial performance benefits of gamification, our findings suggest that there are potential unintended negative effects on employee adaptivity to new roles, depending on their individual traits.

6.03: Incentives, Effort, and Task Strategies
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Dual-Tasking in the Workplace: The Role of Incentives and Social Presence

Michael (Tao) Hu (1), Kristian Rotaru (2), John Chi Wa Ko (3), Dennis Fehrenbacher (4), James Sewell (2)
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This study investigates the extent of dual-tasking behavior among employees in an organizational setting, where contemporary workplaces often require the performance of multiple tasks. Dual-tasking behavior, defined as the concurrent execution of two or more tasks, has been shown to incur cognitive costs, yet its impact on real-life performance remains debated. We develop a theoretical framework exploring how two crucial organizational characteristics â€“ partial incentives and the social presence level within the work environment â€“ jointly influence the extent of dual-tasking behavior and overall task performance. Through a controlled laboratory experiment, we find that partial incentives significantly increase the extent of dual-tasking behavior, where employees simultaneously engage in both incentivized and unincentivized tasks, compared to a fixed-wage contract. This effect, however, is moderated by the social presence level, with a high social presence environment reducing the extent of dual-tasking. Moreover, our findings reveal that low to moderate levels of dual-tasking do not impair, and may even enhance, overall task performance, whereas excessive dual-tasking negatively affects performance on the unincentivized task. These results suggest that while dual-tasking is not inherently detrimental, strategically engaging in dual-tasking can optimize time usage and improve overall performance.

6.04: Social and Psychological Influences on Performance
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Narcissism and Supervisor Sabotage of Subordinates

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We conducted an experiment to examine how supervisor self-interest, operationalized as antagonistic narcissism, influences the sabotage of high-performing subordinates. Building on theories from the psychology literature, we predict and find that supervisors higher in antagonistic narcissism are more (less) likely to sabotage higher (lower) performing subordinates by withholding critical support. We also find that supervisors higher (lower) in antagonistic narcissism exhibit greater (lesser) tolerance for subordinates who are kindred narcissists and withhold support to a lesser degree. These findings suggest that supervisors exhibiting antagonistic narcissism tend to undermine high-performing subordinates by withholding support for capital investments that would benefit the firm, ultimately acting against the interests of the firm and its shareholders. We discuss the implications of our findings for corporations and management accounting research.

6.04: Social and Psychological Influences on Performance
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Does Group Identity Hinder Employee Learning?

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We investigate the effect of group identity on employees' external learning from their peers' performance, using a between-subject laboratory experiment that manipulates group identity as Higher versus Lower. Identity economics suggests that strong group identity could motivate employees to act in the interests of their group by improving their task performance, which might reinforce employees' learning effort and outcome. However, social psychology literature suggests that strong group identity could motivate employees to constantly engage in social comparisons, which could distract employees away from their task and impair their learning effort and outcome. Our findings suggest that strong group identity significantly reduces the time that employees spent on learning from their peers' performance, which in turn leads to worse learning outcomes. This holds true for both local learning from the performance of their ingroup peers and distal learning from the performance of their outgroup peers. Our additional analyses further indicate that participants in the Higher identity condition tend to focus less on strategy development for performance improvement but instead focus more on social comparisons than those in the Lower identity condition. Our findings contribute to the literatures on group identity and employee learning and have important practical implications for firms.

6.04: Social and Psychological Influences on Performance
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Is it Better to be Loved or Feared? The Effects of Manager Kindness and Reward Discretion on Employee Effort

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In this paper, we address an old, but still unanswered, question: whether it is better for managers to be loved or feared. We hypothesize that the answer depends on how much discretion managers have over employee pay and on the favorability of the environment. Specifically, we predict that when managers have no discretion over employee pay, employees work harder for managers that are kinder. When managers do have discretion, we predict that the effect of manager kindness on employee effort depends on the favorability of the environment. Specifically, we suggest that while in bad times employees will work harder for kinder managers, in good times the relationship between manager kindness and employee effort will be muted and possibly even negative. The reason is that employees expect kinder managers to be more willing to shield them from bad luck and less willing to remove good luck from employee compensation. Using data from an incentivized interactive lab experiment, we find support for our hypotheses. We discuss the study's implications for theory and practice.

6.05: Executive Leadership 2
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Investorsâ€™ Perception of CEOâ€™s Legal Expertise: Evidence from Cost of Equity Capital

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This study examines the link between CEO's legal expertise and the cost of equity capital. Existing research reveals that legal education provides students with unique learning experiences that have a long-term impact on them. Considering that CEOs' decisions are influenced by their training and background, we propose that the actions of lawyer CEOs will diverge from those of their counterparts, thereby affecting investors' perception of firm risks. After controlling various firm- and CEO-specific variables, we observe a negative relationship between CEOs' legal expertise and firms' expected cost of capital. Our results further confirm that lawyer CEOs' risk-aversion explains the negative association between lawyer CEOs and cost of equity. Finally, we find that firms offer higher compensation to lawyer CEOs, indicating a possible reason as to why limited firms opt to employ these CEOs. Taken together, our results suggest that CEO's legal expertise enhances firm value by reducing the cost of equity capital.

6.05: Executive Leadership 2
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CEO Locality and Tax Avoidance

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This study investigates whether local CEOs are more or less likely to engage in tax avoidance compared to non-local CEOs. Based on the placement attachment theory, we expect that local CEOs have a higher marginal cost for tax avoidance because they consider paying less tax as an irrecoverable loss to their hometown. As a result, they are likely to pay more taxes. Consistent with this prediction, we find a negative relation between CEO locality and tax avoidance. We also find that this negative relation is moderated by strong CEO career concerns or product market competition. This suggests that CEOs may utilize tax avoidance to signal strong performance driven by heightened career concerns, or to navigate competitive product markets effectively. Overall, our findings suggest that a CEO's geographic segmentation can affect a firm's tax decisions.

6.05: Executive Leadership 2
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Should I Stay or Leave? Employee Disapproval and CEO Departure

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Using employee ratings of CEOs from Glassdoor.com, we find that higher levels of employee disapproval are associated with an increased likelihood of CEO departure. The positive relation is more pronounced among CEOs with greater outside opportunities but less pronounced among those facing greater implicit and explicit costs from departure. Further analyses provide evidence that protecting reputation in CEO labor markets is a mechanism for the positive relation between employee disapproval and CEO departure. Overall, we provide novel evidence that the extent of employee disapproval determines CEOs' departure decisions.

6.06: Information Environment
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From Data to Insights: Small Entity Patent Disparity and Public Data Visualization

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The introduction of an online platform that aggregates already publicly available data into pictographic summary statistics of patent examiner leniency reduces the disparity in patent application abandonment between small and big entities by around 20%. Abandonment increases for the harshest and decreases for more lenient patent examiners. The effect is larger for applicants with higher ex ante information disparity and more minor required revisions, and results in more patent applications, grants, and employment by small entities without noticeable changes in the behaviors of large entities. Our findings suggest user-friendly provision of public information can reduce disadvantages faced by smaller firms.

6.06: Information Environment
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All That Glitters Is Not Gold: Identifying When Internal Information Quality Does and Does Not Help Competitive Advantage

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Drawing on the resource-based view, we examine the role of internal information quality (IIQ) as a competitive resource. Our analyses reveal a significant positive relationship between IIQ and both sustained firm and sustained relative performance, where firms enjoy a prolonged 5.3 percentage point advantage over competitors due to higher IIQ. However, such competitive benefits are asymmetrical, persisting for approximately 2.2 years among top-performing firms, while bottom-performing firms reap no competitive benefits. IIQ significantly slows the mean reversion of return on assets when firm performance is high compared to smaller improvements when it is low. IIQ also exhibits outsized benefit under heightened product market competition. Thus, IIQ can be a source of competitive advantage primarily for high-performing firms, which underscores the importance of strategic, continuous investment in this competitive resource for such firms. Collectively, our findings indicate that IIQ's benefits are nuanced and not a panacea as often suggested in literature.

6.06: Information Environment
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How important is internal information asymmetry for firm-level productivity?
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Top managers of multi-divisional firms are tasked with allocating resources to their highest productive use. However, divisional managers often have superior information about their divisions. This superior information can create agency conflicts as divisional managers have incentives to capture greater capital allocations for their division. Theory work suggests that this internal information asymmetry (IIA) increases frictions in top managers' resource allocation decisions and reduces productivity of the firm. However, the economic effects of IIA are not well understood empirically. Measuring IIA has historically been difficult as IIA is largely unobservable. Additionally, top managers are aware of the information advantage of divisional managers and have several mechanisms available to mitigate the effect of IIA in equilibrium. Using an empirical proxy for IIA that exploits differences in returns of opportunistic trades between top and divisional managers, we provide evidence that higher IIA is associated with lower total factor productivity (TFP). The average effect of IIA is substantial and similar to the effect of other important information frictions such as poor accounting quality, internal control weaknesses, and additional unrelated business segments. Cross-sectional analyses indicate stronger effects where divisional managers have greater opportunities to exploit their informational advantage. Taken together, our results suggest that despite the advantages of internal capital markets, IIA creates an important tradeoff between leveraging divisional managers' specialized information and the attendant agency costs from divisional managers' incentives to distort their information.

6.07: Framing and Design
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Designing Scenario-Based Experiments: Does the Use of Third-Person Framing of Vignettes and Questions Reduce Social Desirability Bias?

Victor Maas (1), Bei Shi (1)
(1) University of Amsterdam, Amsterdam, Netherlands

Much behavioral accounting research investigates the antecedents of morally questionable behavior, such as managers' earnings management and auditors' acceptance of aggressive reporting by clients. This research often employs scenarios. It has been recommended that these scenarios â€“ and the questions that participants answer about these scenarios â€“ be framed in the third person instead of the second person to prevent social desirability bias, and many accounting researchers follow this recommendation. However, empirical evidence that third-person framing debiases responses to morally sensitive scenarios is rare. We use a pre-registered experiment with 1,121 participants to examine if the framing of the scenario itself (the vignette) and the framing of the question to measure the dependent variable, independently or in conjunction, affect social desirability bias in participants' responses. Our results provide no evidence that this is the case, raising doubts about whether researchers in accounting and related fields are really better off using third-person frames than second-person frames.

6.07: Framing and Design
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Using Large Language Models to Explore Contextualization Effects in Economics-Based Accounting Experiments

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Most economics-based experimental accounting research tests hypotheses about the behavior of professionals in business settings. There is an ongoing debate about whether the specific business context should be made explicit in experiments, or whether researchers should instead rely on abstract, stylized settings with neutrally framed instructions. In this paper, we argue that the effects of contextualization are highly idiosyncratic and therefore extremely difficult to anticipate without empirical testing. We then conjecture that large language models (LLMs) can be of great value here. We introduce 'botex', a software tool that allows researchers to run pilot tests with simulated participants. We illustrate the use of botex in a series of experiments comparing neutral and contextualized versions of three widely-used experimental games. We find that contextualization has significant, but not always consistent or straightforward effects on participants' behavior, highlighting the potential value of using LLMs in the experimental design stage.

6.07: Framing and Design
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Incentive Framing Effects on Judgments and Decisions About an Unknown State

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We examine how framing agents' incentives as rewards versus economically equivalent penalties affects agents' judgments and decisions about an unknown state. In our model and experiment, agents are incentivized to correctly respond (e.g., yes/no) to an unknown state (e.g., Yes/No). We operationalize the state as the presence/absence of a mistake, and the response as deciding to test/not test. We find that framing affects participants' bias but not accuracy. Participants test more under a reward versus penalty frame, assess a higher likelihood of a mistake, and use a lower (lenient) threshold for testing, despite being incentivized to make unbiased decisions. Loss aversion cannot explain our results. We discuss implications for multiple accounting settings. For example, regulators who frequently criticize auditors for insufficient testing often frame auditor incentives as penalties which, in our experiment, led to less testing. Thus, inappropriate framing of incentives can jeopardize the goal of providing incentives.

Break and Posters
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Managerial Incentives to Manage Earnings and Invest to Meet or Beat Analysts' Forecasts

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Does a higher analyst following curb or exacerbate firms' earnings management? Empirical research has found evidence in support of both directions, invoking the monitoring and the pressure hypothesis. In this paper, I show that the observed patterns can be explained without the need for analyst monitoring or pressure. Managers try to meet or beat the mean analyst forecast target. When there are many analysts, then a change in a single forecast does not affect the mean forecast. However, when there are only few analysts, then they will rationally anticipate that their forecast affects the manager's goal and thus earnings management, and therefore incorporate this effect into their forecast. I find that the effect of higher analyst following on earnings management depends on the skewness of the earnings distribution. Thus, future archival research should control for this factor.

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Show Me the Carbon: Extending Corporate Carbon Accounting with Inherent Emissions
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(1) Karlsruhe Institute of Technology, Karlsruhe, Germany

As the field of carbon accounting is advancing, this paper builds on this by incorporating the concept of inherent emissions. Current carbon accounting systems lack a mechanism for detecting errors in emission measurements through physical examination. This paper proposes to extend these systems by accounting for inherent emissions - carbon that is embedded in materials and may be released in the future through chemical processes. The inclusion of inherent emissions bridges the gap between real-world emissions, changes, physical assets, and accounting records, allowing for verification of carbon data through physical examination, thereby improving the reliability and auditability of carbon disclosures. Numerical examples demonstrate this new carbon accounting regime, showing how inherent emissions can help identify inconsistencies in carbon data and support comprehensive carbon audits. Hence, this extension aims to improve error detection and provide a tangible connection between carbon accounting and real-world impacts, ultimately promoting more accurate and trustworthy carbon accounting practices.

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The Substitution Effect of R&D Capability Concentration and Accumulated Knowledge on Product Innovation Performance

Chia-Hsin Hung (1)
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Innovation enables companies to maintain a long-term competitive advantage. According to Abernathy and Utterback's model, product innovation is particularly profitable for businesses. While the literature identifies various factors contributing to the success of product innovation, studies focusing on the capabilities of R&D employees are rare. This study examines the impact of R&D capability concentration on product innovation performance (PIP) from the perspective of resource-based theory. Additionally, it explores the effect of accumulated knowledge on PIP. The study investigates these effects using theories related to resource conservation, knowledge costs, knowledge hoarding, and dependence asymmetry. The results suggest that higher concentration of R&D capabilities is associated with better PIP. Furthermore, greater accumulation of knowledge also correlates with improved PIP. However, accumulated knowledge acts as a substitute effect, weakening the impact of R&D capability concentration on PIP.

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Emerging from the Impact of COVID-19: How to Achieve Sustainable Operation through Creating Employee and Customer Value-A Case Study of HOW-DINE Hotel

Chia-Hsin Hung (1), YUNJEN LIN (1)
(1) Ming Chuan University, Taipei City, Taiwan

Since Oliver Sheldon introduced the concept of corporate social responsibility in 1924, regulatory bodies have increasingly emphasized environmental, social, and governance (ESG) issues. In the social dimension, previous research has identified employees as vital assets to businesses. However, since the onset of COVID-19 in November 2020, which severely impacted the global economy, particularly the service industry, management often chose to sacrifice employee rights first. This raises a critical question: Is human capital truly the cornerstone of a business? Despite these challenges, HOW-DINE has steadfastly adhered to the faith expressed in Psalm 37:19: In times of disaster they will not wither; in days of famine they will enjoy plenty. The hotel not only avoided layoffs but also increased employees' working hours and salaries, while offering various learning and training opportunities to enhance their value. Additionally, when customers canceled wedding bookings at the last minute, HOW-DINE implemented a full refund policy with no questions asked, even at the cost of vacant venues and pre-ordered supplies. This case demonstrates how prioritizing employee and customer value supports the social aspect of the ESG framework, showing a path to sustainable business practices in contemporary times.

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Path of Business Model innovation in Digital Age: A Study Based on Structural Equation Model

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In the digital era, the integration of digital technology and business models has led to new paths for enterprise business model innovation, bringing new opportunities for enterprise digital transformation. On the basis of literature review and theoretical analysis, this article constructs a measurement model for business model innovation in the digital era, and verifies it through the data collected via a survey and a structural equation modelling. The results of exploratory factor analysis and confirmatory factor analysis indicate that the measurement model developed has good reliability and validity. Later, structural equation model and path analysist indicate that the various perspectives of the business model interact with each other. the innovation of business models starts from value propositions, drives changes in value delivery, and further affects value creation, but has not resulted in value capture. The research conclusion has positive significance for further research and innovative practices of enterprise digital business models.

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An Examination of International Trade and ISO 9001 Certifications in the Asia-Pacific Economic Cooperation Countries

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Obtaining the ISO 9001 certification is a world-wide recognized process as a method of improving both product quality and business processes. Prior literature has examined a variety of issues concerning ISO 9001. This study extends the ISO 9000 literature by examining the relationship of prevalence of certifications in a country and the country's economic activity. ISO certifications can attract foreign investment and subsequently increase economic output. Specifically, this study examines the potential association of Foreign Direct Investment (FDI) and Gross Domestic Product (GDP) and the use of ISO 9001 within the country. Overall the results show there is a positive relation in the amount of FDI flowing into the country and the number of ISO 9001 certificates in that country. Additionally, there is also a positive relation in the growth in GDP in the prior year and the increase in the number of ISO 9001 certificates of the current year.

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Multimodal Cues of Government Disclosures and Hong Kong Stock Market Reactions

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Timely disclosure of government policy serves as a key communication bridge between the government and the general public. Often times the way how the government disclose their policy changes may affect the financial markets. In light of new technological advancement, the government is increasingly using videocasts for live broadcasts its policy meetings (e.g., FOMC meetings) in order to communicate with the public. Such a new communication mode provides the market participants with important informational cues (e.g., verbal, vocal, and facial cues) to infer the equity market reactions. In this study, we analyze the multimodal emotional expressions of the top Hong Kong government officials (e.g., Chief Executive) from 76 recorded policy meetings videocasts between June 2018 to December 2019. We mainly focus on the Q&A sessions as they may provide useful verbal and non-verbal cues from emotions embedded within textual and facial expressions as a proxy to materially impacting the financial markets. We developed a computer program to analyze the transcripts of the policy meetings and used an off-the-shelf commercial application to extract emotional states (e.g., joy, anger, fear, and sadness) from the government officials' facial expressions. We investigate whether these informational cues are related to the reactions of various Hang Seng Industry Indexes. Our findings suggest that positive sentiment has a positive correlation with the market's short-term abnormal return, while negative sentiment has a negative association with it. Our study confirms that video mining technology can play an essential role as a proxy to materially-impacting the private information of the financial markets.

Break and Posters
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The Impact of Ownership and Control on Capital Expenditure in Business Group Affiliates

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This research examines the dynamics between parent firms and affiliated firms within business groups, integrating perspectives from Agency Theory, Stewardship Theory, and Socioemotional Wealth Theory. We investigate how affiliation managers' ownership and parent-affiliation corporate control mechanisms influence the approval for capital expenditure (CAPEX) in affiliated firms. We explore differences between family-owned and non-family-owned business groups using data from 314 Taiwanese business groups. Our findings reveal that higher ownership of affiliation managers and stronger parent-affiliation control mechanisms are generally associated with lower approval of excessive CAPEX. Notably, the effect of higher ownership of affiliation managers is more pronounced in family-owned business groups, while the effect of stronger parent-affiliation control mechanisms is more pronounced in non-family-owned business groups. These results suggest complex interactions between ownership structures, control mechanisms, and CAPEX decisions, which vary between family and non-family-owned business groups. Our study contributes to a deeper understanding of parent-affiliation dynamics in business groups, offering implications for corporate governance practices and strategic investment decision-making in complex organizational structures.

Selection, Succession and Sabotage

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We analyze the relationship between employee selection, succession planning, and management control outcomes for a tournament-based organization, where a manager wields discretion in the selection process. Given the possibility for the manager to select a low-ability candidate to forestall future competition for himself, we study the optimal design of the tournament. The principal determines the head start - an advantage granted to the manager when comparing his output with the new hire's - and the fraction of the aggregate output as the tournament award. We find the head start has three effects: (i) encouragement effect on the manager, (ii) discouragement effect on the new hire, and (iii) selection effect on the new hire's ability. The selection effect dominates the discouragement effect until the best candidate is hired; once the best is hired, any further head start leads the discouragement effect to dominate the encouragement effect. Therefore, the optimal contract offers just enough head start to induce the manager to hire the best candidate. However, in a two-period model where the principal is concerned with succession planning, we show that the optimal contract may allow selection sabotage to prevail in equilibrium but will ensure the new hire has a higher ability than the manager

Enhancing Performance through Employee Self-Evaluations in the Performance Review

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Many firms require their employees to write self-evaluations as part of their performance management or employee development systems. This study examines how making employee self-evaluations available to their supervisor during the performance review affects employee performance in a setting characterized by uncertainty. Based on self-enhancement theory, I propose that the effect of self-evaluation availability for evaluative use on performance depends on their design. I hypothesize that self-evaluations provided to supervisors during the performance review are more effective when a future orientation is present, compared to when it is absent. I conducted a 2*2 between-subjects experiment with 188 participants. The results show that when self-evaluations are made available for evaluative use, employee performance is higher when a future focus is present, compared to solely focusing on past performance. In contrast, when self-evaluations are not made available during the performance review, including a future orientation hampers performance. Additionally, this study reveals that supervisors consider self-evaluations a valuable source of information in performance evaluation decisions. These findings have important implications for both research and practice.

Labor Market Returns to Audit Experience: Leaps and Bounds or Snailâ€™s Pace?

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There has been a significant decline in recent years in the number of entrants into the auditing profession. A survey of undergraduate students I conducted indicates that the potential for future career advancement is the most important factor in their initial career choices and that they perceive auditing to be relatively low on this dimension compared to other typical career options, providing one potential explanation for students' waning interest in auditing. However, the lack of large-sample empirical evidence on auditors' subsequent career advancement casts doubts on the accuracy of students' unfavorable perceptions. To address this gap, I use granular individual employment profile data to track employees' career progress and document that ex-auditors who transition to accounting or finance-related roles advance more quickly than their peers who start in the same roles without an auditing background. This pattern is more pronounced in contexts where ex-auditors can more readily apply their skills, and for ex-auditors who have worked in one of the BigN audit firms and who have 3-5 years of audit tenure. Subsample analysis suggests that ex-auditors achieve greater (similar) career advancement in accounting, corporate controller, and financial management positions (financial advisory, banking, and investment positions) compared to their peers with direct prior experience in these positions. To explore the mechanism driving ex-auditors' faster promotion, I develop a simple multi-task principal-agent model to motivate the empirical strategy of using the company's performance measures and incentive systems to assess employees' contributions. Grounded in this model, I empirically document that ex-auditors contribute not only to the performance of the finance function but to the company's overall profitability. Collectively, these findings suggest that audit experience equips individuals with a well-rounded skill set, enabling them to make a greater impact and advance more rapidly in subsequent jobs than their peers.