1.01: Professional Skepticism

**Inconsistent Auditor Responses to Uncooperative Client Manager Behavior: When Skeptical Judgments and Actions Diverge**
Auditors frequently encounter uncooperative client managers that make evidence collection more difficult, but the literature is unclear about the quality of auditors’ responses to these managers. To add clarity, we conduct three studies examining (1) whether uncooperative client behavior contains information about the risk of misstatement, and (2) if so, whether staff auditors incorporate this information into their skeptical judgments and actions. We find that client managers who report aggressively also cooperate less during evidence collection. This suggests that uncooperative behavior indicates higher risk and, all else equal, should increase auditors’ skepticism. We then find that uncooperative client managers increase auditors’ skeptical judgments, but decrease their skeptical actions. This inconsistency is exacerbated (reduced) when skeptical actions are more (less) interpersonal in nature. This paper develops foundational theory on how uncooperative managers influence auditor skepticism, has methodological implications, and is relevant to practitioners concerned about inconsistency between skeptical judgment and action.

**The Effect of the Framing of Coaching Guidance and Communication Mode on Auditors’ Professional Skepticism**
Recurring concerns about inadequate professional skepticism and insufficient documentation raised by standard setters and inspectors have led audit firms to consider alternatives for providing coaching guidance. We examine how supervisor auditors can more effectively provide coaching guidance to enhance professional skepticism of subordinate auditors. We find that the effect of guidance framing (expressed either to promote desirable behaviors that positively affect audit quality (promotive coaching) or to prohibit undesirable behaviors that negatively affect audit quality (prohibitive coaching)) varies with the experience of the subordinate auditors. Specifically, while less experienced auditors provide a higher likelihood of a material misstatement and more documentation components when receiving promotive coaching, more experienced auditors select actions they believe to be more skeptical when receiving prohibitive coaching. We do not find any effect for communication mode delivered virtually via either video or audio.

**Which Dimensions of the Professional Skepticism Scale Are Instrumental in Resisting Client’s Pressure: Nuanced Analysis of Hurtt’s (2010) Scale Through PLS-SEM**
This study provides empirical evidence to explain the weak correlations from prior research between the stable trait of professional skepticism and skeptical judgments. Applying PLS-SEM, we model each sub-component of Hurtt’s (2010) scale as a distinct latent construct, validate these constructs, and explore the impact of these sub-components on auditors’ susceptibility to concede to client demands. Our results suggest that only two sub-components of professional skepticism (search for knowledge and autonomy) directly affect audit judgment by reducing
auditors' likelihood of succumbing to clients' demands. We also report that the search for knowledge and suspension of judgment increase auditors' professional identification, while autonomy decreases auditors' client identification. However, the direct impact of factors of client and professional identifications on auditors' likelihood to concede to client demands, reported in prior research, disappears after we account for the effect of the professional skepticism sub-components. In sum, we demonstrate that some but not all sub-components of professional skepticism affect auditors' judgment directly or through interaction with environmental factors and that the impact of some transitory factors on auditors' judgment disappears after we account for the nuanced effect of trait skepticism. This evidence highlights the advantages of a more granular approach for modeling trait skepticism in empirical studies.

1.02: Investor Reactions to How CEOs Look and Sound

**Profanity and the Company-Investor Relationship**

Despite the growing prevalence of using profanity in business settings, the literature has been relatively silent on the effects of profane language on investors. Additionally, current trends suggest that investors increasingly rely on factors other than expected returns when deciding between potential investments (Gallup 2022). Specifically, many investors are deciding to invest in companies that they are passionate about, identify with, admire, and/or with whom they share similar values. In this study, we examine how a CEO's use of profanity in an earnings conference call causes investors to place more weight on their perceived relationship (exchange versus communal) with the company in making investment decisions. Using a laboratory experiment with graduate business students assuming the role of current investors participating in an earnings conference call, we predict and find that when a CEO's responses to analysts' questions contained profanity, investment willingness is higher for investors that hold a communal (versus exchange) relationship with the company. We find no effect of relationship on investment willingness in the absence of profanity. We further find that investors' perceived closeness with the company mediates the interaction between relationship and profanity on investment willingness.

**When Turning the Camera on Improves Investor Reactions**

The purpose of the study is to examine how the delivery method influences investor reactions to a CEO's announcement of post-acquisition earnings. We examine two types of delivery methods (audio versus video) in relation to negative and positive earnings. Our hypothesis predicts that delivering news by video has a positive effect on investor reactions. Experimental results show that the method of delivery does not matter when the post-acquisition earnings announcements is positive. In contrast, results show that an equity investment is considered more (less) attractive subsequent to negative earnings announced by video (audio). In a process model, we find support for our arguments that the effect of the delivery method on investment attractiveness is serially mediated by investor perceptions of CEO overconfidence and CEO credibility, which are more favorable when earnings are announced by video. Our findings highlight the effect of the method chosen to deliver material financial information on investor perceptions.
Does CEO Accent Impact Investors’ Investment Decisions?
We explore the impact of CEO accent on investment decisions of non-professional investors, as well as the drivers of such investment decisions. Using AI to generate a foreign sounding (Kenyan) and American accent, we investigate the impact of CEO accent on investors’ investment decision. We also manipulate the CEO’s pre-existing reputation to investigate the moderating impact of CEO reputation. Our results suggest that investors are willing to invest higher amounts in firms led by ‘foreign-sounding’ CEOs, when CEOs have a good reputation. We find that higher perceived disclosure credibility for CEOs with foreign accent mediates the CEO accent- investment link. We further find that while foreign-sounding CEOs are less comprehensible, they are perceived to have higher competence. We also use an ‘Indian-sounding’ accent to investigate if the accent bias exists uniformly across all foreign-sounding accents.

1.03: Employee Decisions Given Pay Ranges, Cuts, and Delegation

The Effect of Pay Range Disclosure Width on Gender Differences in Job Applications
Due to recent legislation and labor market pressures, pay range disclosures have become increasingly common on job postings in the United States. However, guidance on implementing these disclosures is limited or ambiguous, leading to substantial variation in their width. In this paper, we use a laboratory experiment to examine how the width of pay range disclosures affects job application decisions of men versus women. While these disclosures are intended to close the wage gap between men and women, theory suggests that wide pay ranges may unintentionally deter women from applying to jobs in the first place. Consistent with our predictions, results from both between-subjects and within-subjects tests show that women are significantly less willing to apply to a job when there is a wide pay range relative to a narrow pay range, while men appear indifferent between a wide and narrow pay range. Path analysis suggests that perceptions of pay inequity is a primary channel through which this interactive effect operates. Our findings have important implications for regulators considering implementing or amending pay disclosure laws and for companies navigating the emerging pay disclosure landscape.

Keeping Up with the Joneses During an Economic Crisis: The Effect of Different Types of Pay Cut on Employee Performance
Many firms implement pay cut to reduce labor costs during economic crises and there are different ways to distribute pay cut among employees. We experimentally investigate how employees respond to equal-share pay cut compared to performance-based pay cut. We predict and find that the effect of different ways of allocating pay cut is moderated by employees’ relative performance before the pay cut. Compared to equal-share pay cut, performance-based pay cut leads to higher performance but only for employees who underperform their peers before the pay cut. Performance-based pay cut also results in higher team performance. We find no difference between time-based and outcome-based pay cut. Interestingly, we also find that when the pay cut is caused by an economic crisis, low performers do not perceive it as unfair to receive a larger share of pay reduction. Our findings contribute to both literature and practice on pay reduction during economic crises.
Does Allowing Employees to Set Their Own Pay Motivate Greater Effort? A Re-Examination of Potential Drivers

Inspired by recent trends in practice, prior experimental studies examine whether allowing employees to set their own pay (pay delegation) increases effort. These studies find pay delegation does increase effort, and attribute this motivational effect to employees’ sense of responsibility and/or guilt aversion, and not to reciprocity. However, these studies use experimental parameters that likely inhibited the emergence of reciprocity and do not measure participants' sense of responsibility or guilt aversion. Using an experiment, we re-examine the explanatory power of responsibility, guilt aversion, and reciprocity. We find trust has greater explanatory power than either responsibility or guilt aversion. However, we also observe the presence of countervailing forces that offset the motivational benefits of pay delegation through trust and reciprocity. Overall, our results suggest the effects of pay delegation on effort are more nuanced than previously believed, and that further research is needed to understand the motivational effects of pay delegation.

1.04: Manager Decisions: Promotions, Recruiting, Investing

Labor Market Sorting on Organizational Values and the Effect of Budgetary Slack Creation

Salterio and Webb (2006) call for the exploration of management control systems that can motivate honest behavior in managerial reporting given the observation of disutility from dishonesty from prior research. In this study, we explore how a company's conveyance of organizational values in the recruitment process can effectively work as a management control by sorting the labor market and matching less opportunistic managers with more socially-oriented firms. Through the use of two experiments, we observe that the endogenous choice of firm employment by managers can result in divergent behavior between types of organizations. However, we find that socially-oriented firms can only use organizational values as an effective management control to mitigate opportunistic behavior when incorporating an opportunity cost in the selection process through an onboarding task.

Paying to Reduce Disparity: Financially Incentivizing Workforce Diversity and its Effects on Managers’ Promotion Decisions and Employees’ Effort

Disparities in employee representation persist in higher-level organizational positions despite recent attention to workforce diversity and its associated benefits. In response, companies have begun integrating diversity initiatives into managers' compensation packages (hereafter, 'diversity incentives') to increase underrepresented employees' representation in higher-level organizational positions. This study uses an experiment to examine how diversity incentives affect managers' promotion decisions, motivation to advance diversity, and employees' effort choices in a promotion setting. Results suggest that, while managers base promotion decisions primarily on employees' pre-promotion efforts, diversity incentives complement underrepresented employees' efforts to increase their promotion chances. Specifically, as underrepresented employees' pre-promotion efforts increase relative to overrepresented employees' efforts, diversity incentives increase managers' likelihood of promoting underrepresented employees. Diversity incentives also increase managers' extrinsic motivation to accomplish the diversity initiative. According to prior research, increasing managers' extrinsic diversity motives may fail to address existing biases in the workplace. Finally, employees choose similar pre-promotion efforts regardless of their membership in an underrepresented
group or managers' diversity incentives. These results suggest that managers’ explicit (i.e., contractual) diversity incentives do not dampen employees' implicit (i.e., noncontractual) promotion incentives. This study adds to the growing literature examining how to advance diversity within higher-level organizational positions.

The Impact of Environmental Sustainability Initiatives on Managers’ R&D Decisions
We examine how two aspects of a firm's environmental sustainability initiatives can influence managers' other operating judgments that are generally unrelated to environmental sustainability. Specifically, we investigate how managers' involvement in the environmental sustainability initiative and the disclosure of its expenditures in the financial statements influences research and development (R&D) decisions unrelated to the initiative. Engagement in environmental sustainability has the potential to influence managers' perceptions of themselves as a sustainability leader in ways that also impact their approach to the long-term benefits versus short-term costs of R&D. Consistent with self-perception theory, we find that managers with high (versus low) involvement in their firm's initiative demonstrate less myopia in their R&D decisions, but only when their firm discloses its environmental sustainability expenditures. We also find that this interactive effect is mediated by managers' beliefs about how financial statement users view them and how managers view themselves. Our study is informative to managers and boards of directors as firms democratize their environmental sustainability initiatives and to standard setters as they consider mandating disclosures related to environmental expenditures.

2.01: Broader Work Outcomes Beyond Audit Quality
Stay In Your Own Lane: Navigating the Challenges of Upward Knowledge Sharing in Hierarchical Audit Teams
Audit quality and efficiency can be improved with the integration of innovative technology solutions. However, the successful implementation of such solutions largely depends on junior auditors' technological expertise and their ability to share knowledge upward to their supervisors on the engagement team. Using a semi-structured interview methodology, we explore the factors that enhance and inhibit junior auditors' upward knowledge sharing. Following the interpretivist perspective, we find that social exchange theory and self-affirmation theory describe well the data and reveal three novel and important themes. First, the benefits and costs of sharing knowledge depend on the hierarchical distance between the knowledge sharer and recipient. Second, upward knowledge sharing can create conflict when the sharer and recipient have overlapping knowledge domains. Together these themes warn of the potential hazards ahead when junior auditors do not stay in their own lane. However, our third theme suggests that upward knowledge sharing is most effective when the junior auditor has a champion on the engagement team to encourage, support, and pave the way for innovative ideas.
Rethinking the Workplace: A Person-Environment Fit Perspective of Auditor Burnout and Job Outcomes

Burnout and retention are important issues to organizations. Prior research attributes burnout to characteristics of auditors and their work environment separately. We propose that burnout is a result of misfit between auditors and their work environment. Task structure is a key dimension of the audit work. Unstructured tasks are more complex. We examine two types of fit related to unstructured tasks: demands-abilities fit (between auditors' abilities to perform unstructured tasks and their job demands on these tasks) and needs-supplies fit (between auditors' needs to perform unstructured tasks and their job supplies of these tasks). In contrast to the industry emphasis on matching auditor abilities with job demands in staffing assignments, we find that only needs-supplies misfit predicts burnout, which is in turn associated with worse auditor performance, lower job satisfaction, and higher intention to quit. Our study calls for increased attention to understanding and matching auditor needs.

2.02: CSR and Investor or Manager Decisions

ESG Pivots: How Do Investors React When Firms Simultaneously Abandon Failed ESG Initiatives and Start New ESG Initiatives?

We examine how investors react to ESG pivots where firms simultaneously abandon a failed ESG initiative and start a new ESG initiative. Our theory suggests that the reason an abandoned initiative failed is more likely to affect investors' reaction to ESG pivots when the new initiative targets an ESG goal that is unrelated, versus related, to the abandoned initiative. Specifically, we predict that pursuing a related goal conveys high goal commitment, reducing the weight investors place on information about ESG failures that they would otherwise find relevant. Results from an experiment support our theory. Supplemental analyses speak to how investors' personal views on ESG activities interact with our independent variables. This latter point is important given that ESG is becoming increasingly politicized and polarizing. In sum, our study contributes new insights regarding when, and how, investors incorporate information about firms' past and planned ESG activities into judgments about firm value.

Opening the Black-Box of the Insurance Effect of CSR: Investigating Nuances in Nonprofessional Investors' Judgments Toward CSR Companies Following a Restatement

Prior literature suggests that engagement in corporate social responsibility (CSR) protects companies from the negative consequences of an accounting restatement. We experimentally examine whether such protection differs between a single vs. reoccurring restatement and explore the underlying psychological mechanism of this effect. Specifically, we employ the Stereotype Content Model to test the mediating role of feelings of warmth and competence toward the company in this process. Our results demonstrate the positive effect of high CSR performance on the willingness of nonprofessional investors to keep shares of the company following accounting restatements, but only for a single restatement. In addition, the mediating mechanism of this effect differs between conditions. Absent the restatement, we observe only a halo effect of CSR that launches a serial mediation path in which high CSR performance leads to high feelings of warmth, which in turn prompts high feelings of competence, which increases investors' commitment to keeping shares of the company. The first restatement increases investors' feelings of warmth toward the company and launches a second mediation path in
which this increased warmth directly increases investors' inclination to keep the shares of the high-performing CSR company despite the restatement. A second restatement activates a third mediation path through reduced competence that reduces investors' commitment to keeping the shares of the high-performing CSR company. Our results provide nuanced insights into the different roles of warmth and competence on the previously documented insurance effect of CSR performance in the context of accounting restatements.

Do Peer Firm Environmental Goal Disclosures and Carbon Offset Programs Impact Managers’ Environmental Disclosure Choices?
This study explores the impact of two factors on managers disclosure of long-term environmental goals, the prevalence of such disclosures among industry peer firms and the availability of carbon offset programs. Drawing from moral reasoning theory, we expect managers to engage in greater disclosure of long-term environmental goals when such disclosures are prevalent among industry peer firms. However, when such disclosures are rare, the availability of carbon offset programs may increase managers' disclosure tendencies. To test our hypotheses, we conduct a 2x2 between-subjects experiment, where we manipulate the disclosure behavior of industry peer firms (a high vs. low prevalence of long-term environmental goal disclosure) and the availability of carbon offsets (present vs. absent). Results suggest that managers provide the least long-term environmental goal disclosures when these disclosures are rare among industry peers and carbon offset programs are absent. Implications for research and practice are discussed.

2.03: Employee Behaviors When Considering Their Supervisors
Social Comparison and Impression Management: The Joint Effect of RPI and Supervisor Presence on Employee Performance
Previous accounting research generally finds that providing employees with RPI increases their performance. However, to isolate the effects of social comparison on employee performance, prior studies often use settings that either exclude or downplay the presence of a supervisor. I examine the independent and joint effects of RPI and the presence of a supervisor on employee performance. I predict and find that RPI and the presence of a supervisor each independently increase employee performance. However, when considered jointly, I find a significant reduction in the effect of RPI on employee performance when a supervisor is present. My study extends the prior RPI research by considering a factor that has been excluded from much of the earlier research. In doing so my study has the potential to both change the interpretation of some of the earlier research findings and provide a more nuanced understanding of the effects of RPI on employee performance.
Employees’ Strategic Advice Seeking: The Role of Performance Evaluation and Performance Measure Noise
Superiors are an important source of advice for employees to improve their decision-making. We examine whether employees seek advice from superiors differently when these superiors also evaluate them. Consistent with our predictions, results of two experiments show that employees seek advice from evaluating superiors strategically to improve their own performance evaluations and that performance measure noise determines how this plays out. We find that when performance measure noise is low, employees are reluctant to seek advice from their evaluating superior to avoid impressions of being incompetent or wasting time. We do not find such an effect when performance measure noise is high. Instead, in a high noise environment we find evidence consistent with employees trying to impress their superiors by more frequently seeking advice, particularly on problems to which they already know the answer. This contributes to a better understanding of the factors driving and hampering employee advice seeking in practice.

Whose Job Is It, Anyway? The Effect of the Review Process on Employee Performance
We examine how managers can effectively implement a review of employee work to improve performance. Using an experiment in which we manipulate both the relative experience of the reviewer (more experience than the employee versus similar experience as the employee) and the review type used (autonomy-oriented versus dependency-oriented), we show significantly better performance occurs when more experienced reviewers provide an autonomy-oriented review or similarly experienced reviewers provide a dependency-oriented review, and this improved performance occurs over time. Additionally, we show that better performance overall and improved performance over time are a result of the review type used and the reviewer's relative experience confirming or violating the employee's situational expectations. Our results are consistent with our theory suggesting that the review process can improve performance, but it requires management to implement the review process that considers employees' expectations.

2.04: Tax Compliance and Recent Societal Issues
First Things First: Using Anchoring Bias to Examine the Effect of Penalty Severity and the Penalty Environment on Compliance
Significant concerns have been raised about taxpayers' compliance with government relief programs. I use an experiment to examine how taxpayers' COVID-19 relief compliance is affected by two factors: (1) Severity of non-compliance penalty and (2) The penalty environment. Consistent with theory, I find compliance is less when non-compliance penalties are low versus optimal (i.e., matching the offence). Furthermore, I find the benefit of optimal non-compliance penalties is less when taxpayers have information about the penalty environment than when they do not have such information. These results suggest that governments can increase relief compliance by imposing effective non-compliance penalties and supporting policies to improve the penalty environment.
Understanding Migrants’ Willingness to Pay Income Taxes: A Fiscal Citizenship Perspective

We investigate why migrants are willing to be tax compliant and how their willingness to be tax compliant may differ from non-migrants (natives). To undertake this exploratory investigation, we conduct a survey (n=4,670) of adult taxpayers in Canada, Germany, and the United Kingdom. About 10% of this sample (n=492) is migrants. Using political science literature on citizenship, we develop and test a model of fiscal citizenship. Our model consists of four primary factors (voice, contribution, identity, and tax compliance). Accordingly, we investigate the association of each of voice, contribution, and identity on tax compliance. We find that for natives, there is a positive and direct association between each of voice, contribution, and identity on tax compliance. However, for migrants, there is a positive and direct association between identity and tax compliance only. To further explore the association between each of voice and contribution on migrants' tax compliance, we conduct mediation analysis using a state fragility index, which measures the authority and legitimacy of a country. Canada, Germany, and the United Kingdom are all low-fragility countries. We find that only migrants from high-fragility countries (such as Congo or Syria) increase their tax compliance in low-fragility countries because they have a voice and value the benefits from their tax contributions. Our study provides insights into antecedents for tax compliance that have not yet been identified in the tax compliance literature, and also contributes to tax compliance literature by specifically considering why migrants may be willing to be tax compliant.

A Perfect Storm: The Effect of Repeat Notices and Processing Delays on Taxpayer Behavior

Processing delays at the IRS on top of increasingly critical staffing shortages at tax firms have created a complicated, and often frustrating experience for taxpayers. For example, many taxpayers received repeat, often unnecessary, notices due to the processing delays. Unfortunately, the tax professionals they would normally engage to assist in resolving notices from the IRS are reaching unprecedented levels of burnout and turnover. This study examines the effect of repeat tax notices on taxpayers' perceptions of the IRS and interactions with paid preparers. In an experiment, we predict and find that taxpayers who receive repeat notices report increased moral disengagement and decreased trust in the IRS. Both moral disengagement and trust mediate the effect of repeat notices on compliance intentions, highlighting a possible focus for regulators interested in recovering taxpayer perceptions. We also find evidence that IRS processing delays indirectly influence the market for tax preparers. The majority of taxpayers who received repeat notices and self-prepared the initial return indicate they would engage a tax preparer in the subsequent year. Further, taxpayers who engaged a paid preparer appear to misattribute the blame for the repeat IRS notices to their paid preparer, leading many to indicate that they would switch preparers in the subsequent year. Our findings highlight the effects of repeat notices on taxpayers, regulators, and practitioners, contributing to an ongoing discussion regarding the importance of resolving the processing backlog at the IRS and the increasingly severe shortage of tax professionals. Importantly, we demonstrate that decreased trust in the IRS has widespread implications for both tax compliance and tax practitioners.
General Session: Picks of the 2023 ABO Coordinators

Intimidation and Information Repetition: How Client Behaviors Influence Auditor Judgments

We investigate how two common client behaviors, intimidation and information repetition, affect auditors' evidence evaluation. Clients sometimes intimidate auditors and this behavior may limit the evidence auditors obtain. Clients also sometimes repeat previously stated information when explaining their positions. We predict that client intimidation motivates auditors to think more deeply (i.e., elaborate) and skeptically about evidence items, and improves auditors' judgments and actions. However, we predict that client information repetition will reduce these positive effects on auditors' elaboration, judgments, and actions. Through the 'illusory truth effect,' we expect that when clients are more intimidating, repetition will unconsciously increase the perceived completeness and accuracy of client evidence. We find that auditors elaborate more skeptically when clients are more intimidating but contrary to our expectations, repetition does not moderate this relationship. We also find that client intimidation improves auditors' judgments and action decisions, but these improvements are reduced when clients repeat information. Our study, combined with prior research, provides a more complete understanding of how client behaviors affect audit quality through auditors' cognitions, judgments, and decisions.

Layoffs or Reduced Hours? Effects of the Performance Measurement System

Firms facing financial distress must decide how to reduce costs, which often involves choosing between laying off some employees or reducing hours for a larger number. We investigate two questions related to this choice. First, how does the precision of a firm's performance measurement system influence managers' decision to institute layoffs or reduced hours? Second, how do employees react to this choice? An interactive experiment indicates that the effect of performance measurement precision on managers' cost reduction decision is moderated by overall workforce performance. Specifically, under a precise system, managers are more likely to choose layoffs when overall workforce performance has been poor, but they are more likely to reduce hours when performance has been strong. However, under an imprecise system, managers rely less on the observed performance information when deciding their cost reduction strategy, and instead appear to resort to their personal preferences. When managers choose layoffs, retained workers reward managers with higher reciprocal effort and performance under an imprecise system compared to a precise system, consistent with theory on reference-dependent reciprocity, but inconsistent with workers' perceptions of the decision's fairness. When managers reduce hours, workers respond with similar performance under the two systems. Overall, our study documents important environmental and behavioral factors that influence managers' choice of labor cost reduction measures and the consequences for employee performance.

Executive Narcissism and the Power of Persuasion: Evidence from the Laboratory and Sell-Side Analyst Valuations

Although prior research has found that firms led by narcissistic executives experience numerous detrimental effects, narcissistic individuals are nevertheless more promotable, enjoy longer tenures, and earn higher compensation. These labor market outcomes suggest that firms must accrue some benefits from executive narcissism. We provide evidence of one such benefit: the ability to positively influence external stakeholder perceptions of the firm. In a laboratory setting, we find that more narcissistic individuals are more likely to engage in persuasion to elicit higher firm valuations from financial analysts, especially when the analyst is more influential with
investors. We supplement these results with archival evidence from sell-side analyst valuations and conference call transcripts. When CFOs are more narcissistic, analysts’ target price forecasts are overly optimistic and economically unjustified by ex-post stock returns. Conference call transcripts reveal that more narcissistic CFOs exhibit greater levels of engagement with analysts, speak more optimistically, and are more likely to use argumentative prose and corporate euphemisms. Collectively, the evidence suggests that more narcissistic CFOs use their persuasive skills to positively influence analyst perceptions of the firm.

3.01 Auditor Skills and AI

**The Effect of Skills-Based Versus Nonskilled Community Service on Auditor Behavior**
In an experiment with practicing auditors from a Big 4 firm, we replicate prior research demonstrating a moral licensing effect for nonskilled community service engagement, and we extend this research by documenting a moral consistency effect for skills-based community service engagement. Relative to a control group, auditors who committed to a nonskilled (skills-based) community service project became more (less) willing to acquiesce to a client’s preferred accounting treatment. Our research suggests that skills-based community service may not only mitigate potential unintended consequences of employee community service but could even improve auditor decision making and audit quality.

**Actions Speak Louder Than Words: The Divergence of Auditors' Stated Risk Assessments and Planned Responses to Client's Use of Artificial Intelligence**
Both audit firms and their clients are investing heavily in artificial intelligence (AI) to help improve auditing and financial reporting, respectively. Currently, both the literature and practice lack an understanding of how the use of AI by audit clients impacts auditor judgments. In this experiment, we examine how the use of AI in deriving a complex estimate and the level of prior period inaccuracy of that estimate impacts auditors’ risk assessment judgments and subsequent planned audit response. As predicted, we find that the level of inaccuracy of the prior-period estimate drives auditors’ risk assessment judgments. For auditors’ planned audit response, we find it is influenced by an interaction of the source of the estimate and the level of inaccuracy. Specifically, when the estimate is more inaccurate in the prior period, auditors plan more audit work when the estimate is derived using AI rather than a valuation expert, potentially effecting audit efficiency. Conversely, when the estimate is less inaccurate in the prior period, auditors plan less audit work for an AI-derived estimate versus one derived using a valuation expert, which could impact audit effectiveness. Taken together, results suggest that auditors’ responses to client use of AI could potentially lead to unexpected audit efficiency or effectiveness concerns as their response deviates from their stated risk assessments.
Upskilling Auditors in the Face of Changing Skills Requirements: Does Self-Affirmation Help Overcome Aversion to AI-Based Specialist Advice?
Audit firms are increasingly upskilling their workforce by hiring and retraining employees with emerging digital knowledge and Artificial Intelligence (AI) skills. Extending on the emerging literature on algorithm aversion, we argue that auditors likely discount quality advice by specialists that draw upon expertise auditors lack (e.g., advanced data analytics) compared to expertise auditors also possess (e.g., business valuation). In line with the notion that auditors perceive specialists' AI expertise as threatening to their self-regard, and act defensively, we predict that affirming auditors' existing skillset mitigates aversion to AI-based specialist advice by restoring assessments of specialist competence and advice quality. Results from an experiment with highly experienced auditors show that a simple and easily implementable self-affirmation intervention buffers against perceived threats and increases reliance on AI-based quality advice from a specialist. Our theory-based findings are important considering audit firms' ongoing strategies to reskill the current workforce by increasing auditors' acceptance of specialists' work: A pervasive issue of heightened importance to audit firms, regulators, and researchers.

3.02: The Role of Gender in Investor Judgments

Let's Talk: The Effects of Virtual Financial Advisor Communication Mode and Gender Expression on Investor Judgments
Virtual financial advisors (VFAs) are an emerging form of robo-advisor that provide investment advice to investors through oral or written communications. We conduct two experiments to investigate how VFA communication mode and gender expression affect investors' reliance on a VFA's investment advice. We find in our first experiment that investors are most willing to rely on a VFA's investment advice when the VFA presents as female and communicates orally, rather than when the VFA presents as male or communicates via written text. Our second experiment provides evidence of the underlying process, demonstrating that of the four VFA gender expression/communication mode combinations we examine, investors believe a VFA that presents as female and communicates orally is most responsive to investors' needs. Our study informs regulators on how two common and salient elements of robo-advisors' designs ultimately influence investors. Our study also informs wealth management firms on the potential consequences of VFAs' communication mode and gender expression.

Impact of CEO Self-Disclosure on Investor Judgment
This study investigates whether and how CEO self-disclosure on social media influences investors' willingness to invest following a negative financial event. We conduct a 1x3 between-subjects experiment, where we manipulate a CEO's self-disclosure strategy (no self-disclosure vs. positive self-disclosure vs. positive and negative self-disclosure). Results indicate that investors react more positively to a negative financial event when the CEO offers positive personal experiences on social media than when the CEO does not offer any personal information. We also provide preliminary evidence that a CEO's negative self-disclosure may negatively impact investors' perception of the firm. In supplemental analyses, we find that the impact of CEO disclosure strategy on investment willingness depends on the follower's gender.
Do Investors Prefer Female CEOs in Activist-Targeted Firms? The Role of CEO Gender, Shareholder Activism Type, and Earning Guidance Disclosure

This study addresses concerns from the SEC and examines the trend of shareholder activism and its impact on financial players. Motivated by prior research that finds female CEOs are more likely to be targeted by shareholder activism, we examine how the nature of shareholder activism (Profitability-focused versus Environmental/Social-focused ('E&S-focused')) interacts with CEO gender to create perceptions of match or mismatch for nonprofessional investors, in terms of perceived ability to address the shareholder activism. Drawing on role-congruity theory, we predict and find that female CEOs are rewarded under E&S-focused activism, but punished under profitability-focused activism, in terms of investors' willingness to invest in the firm targeted by the activism. We also find that when managers disclose an optimistic earnings guidance forecast, this disclosure attenuates reliance on gender-based stereotypes to inform investment decisions. Finally, we find evidence that earnings guidance disclosure has a stronger impact on perceptions of female CEOs than male CEOs.

3.03: Misreporting and More Misreporting

Learning to be Honest? The Effect of Organizational Culture and Reward Frequency on Performance Misreporting

Organizational culture and performance-based rewards are important aspects of the managerial control systems within an organization. There has been limited research exploring performance-based rewards in the context of organizational culture. In this study, we examine how these two factors affect performance misreporting, a prevalent agency problem in corporate settings. Using an experiment, we predict and find that performance misreporting is lower under a learning-focused culture (Mastery Orientation) compared to a performance-focused culture (Performance Orientation). More importantly, we find that the frequency of performance-based rewards interacts with the type of organizational culture, influencing the changes in misreporting over multiple periods. Specifically, we find that high reward frequency has a negative effect in a Mastery Orientation culture, leading to a greater increase in misreporting compared to a Performance Orientation culture.

Distorting Data to Justify Biased Reports

Agents providing reports often (a) have greater access to data (including an ability to distort data) than principals and (b) have incentive conflicts with principals. This study investigates how the ability to distort data affects advisors' tendency to provide biased recommendations. Drawing on theories in deception and persuasion, we posit that, when incentives are misaligned, advisors will provide a more biased recommendation when the statistics used to support their recommendation are more distortable. We also predict and find that, when incentives are aligned, advisors will make the most mutually beneficial recommendation for both parties when statistics are less distortable and the statistics are shown to the advisee. Overall, we find results consistent with our theory. The results of this study inform both theory and practice by showing how the ability to distort data can affect agents' ability to act on their self-interests under different incentive structures.
Standing Up to the Group: The Role of Mentorship in Promoting Whistleblowing in a Group Misreporting Setting

Most organizational fraud, including misreporting of financial information, is committed in groups (ACFE 2022). The collusive nature of group misreporting is challenging to detect and prevent using controls designed to target solo fraud. We examined the role of mentorship in encouraging employees to blow the whistle on errant peers who misreported and pressured them to participate in group misreporting. In an experiment with 94 managers, we manipulated mentor relatedness support (high/low), measured their perceived relational closeness to their peers, and assessed their effects on informal disclosure of peers' misconduct to mentors and their formal whistleblowing decision. We found that individuals are more likely to informally disclose their peers' misconduct to mentors who provide high (versus low) relatedness support. They are also more likely to ultimately blow the whistle after their informal disclosure to mentors, but only if they also feel relationally distant from their errant peers. Our results suggest the rich potential of mentorship in promoting the early detection of group fraud.

3.04: Manager Decisions: Bonuses and Pay Raises

Is Horizontal Pay Secrecy Good or Bad? An Experimental Examination of its Effects on Discretionary Bonus Allocations and Employee Effort

In the backdrop of the recent movements and legislations that promote pay transparency, our research examines how horizontal pay secrecy (vs. transparency) affects managers' discretionary bonus allocation decisions, and how employees react to managerial discretions. We theorize that when employees do not have pay information about their peers, managers will be less concerned with relative pay among employees and more concerned with the effectiveness of incentives, leading to more equitable bonus allocations. In an experiment involving repeated interactions between one manager and three employees, managers allocate a shared bonus pool among the employees based on an incomplete set of information. Bonuses allocated to peers are either known (pay transparency) or unknown (pay secrecy) by the focal employees. We find that under pay secrecy (vs. transparency), managers allocate discretionary bonuses more equitably, are less affected by pay compression, and make greater adjustments for negative uncontrollable events. Although bonus allocations are more equitable under pay secrecy, employees do not perceive as such and as a result, the expected motivational benefit of pay secrecy is not materialized. Implications for research and practice are discussed.

Mitigating the Gender Pay Gap: The Role of Pay Raise Budget Framing

Progress toward eliminating the gender pay gap has slowed in the last two decades. In this study, we examine whether a common control choice (i.e., framing pay raise budgets in percentages) inadvertently contributes to perpetuating the gender pay gap. We argue that different budget frames induce different cognitive anchors from which managers insufficiently adjust to set their employees' pay raises. Specifically, we predict that when the pay raise budget is framed as a percentage (the percentage frame), managers anchor individual raises on that budget percentage; whereas when the pay raise budget is framed as an absolute amount (the dollar frame), managers anchor individual raises on an even split of the overall budget pool. As such, we hypothesize and find in a laboratory experiment that the dollar frame perpetuates
existing gender pay disparities less than the percentage frame. Supplemental analyses suggest that this difference is driven by anchoring. We also explore a salary frame condition that focuses managers' attention on setting salaries rather than incremental raises. Similar to the dollar frame, the salary frame leads to a reduction in the gender pay gap relative to the percentage frame. Our study offers a simple, cost-effective way to limit the perpetuation of existing pay disparities.

The “Deflect Effect”—The Effects of Event Foreseeability, Employee Causal Attribution, and Supervisors’ Empathy Levels on Ex-Post Discretionary Adjustments

Organizations allow supervisors to make ex-post discretionary adjustments, (hereafter 'adjustments') to employees' performance on objective accounting measures in order to increase employees' fairness perceptions and to decrease compensation risk. Our study examines supervisors' use of bonus adjustments to counteract the effects of different types of negative events impacting employees' performance. Using an online experiment, we study the effects of event foreseeability (foreseen versus unforeseen) and employee causal attribution (external versus internal) on supervisors' bonus adjustment decisions. Participants assume the role of a supervisor whose task is to decide whether and by how much to adjust the employee's bonus. We hypothesize and find that supervisors make higher adjustments when the event is unforeseen. We also find that supervisors make higher adjustments when the employee makes an external attribution, shifting the blame for the event. Interestingly, this effect prevails even when supervisors possess conflicting information that the event was foreseen. We term this finding the 'deflect effect'. Further, we hypothesize and find that when employees make internal attributions, supervisors low in empathy make significantly lower adjustments than supervisors high in empathy. This study contributes to the accounting research on subjectivity in performance evaluations by showing that supervisors are influenced by event foreseeability, employee causal attributions, and their empathy levels.

4.01: Employee Effort and Slack

Carbon Pricing: How Disclosure of Internal Carbon Pricing Affects Managerial Honesty

We investigate the effect of firms' internal carbon price and disclosure of their internal carbon price on employee budgeting decisions. A carbon price is attached to firms' greenhouse gas emissions and the fee charged for its emissions is reinvested into the firms' corporate social responsibility (CSR) initiatives to reduce its emissions, but setting and disclosing a carbon price remains voluntary in the U.S. Our study shows that a higher carbon price leads to greater slack levels relative to a lower carbon price, and this effect is further enhanced when companies publicly compared to privately disclose their carbon price. Our findings contribute to literature and practice by showing some unintended effects resulting from setting a higher carbon price. Firms should carefully consider how their CSR initiatives influence employee behavior.

Side Businesses, Firm Investments, and Employee Effort: An Experimental Study

Many employees pursue their own side business while employed by a firm. In this study, I examine how a firm's decision to provide or withhold funding for side businesses influences employees' motivation to exert effort on their fixed-pay day job for the firm. Using controlled experiments, I show that a firm's investment, in exchange for an equity stake, is perceived as a stronger signal of trust in employees' competences and results in greater effort compared to the
provision of an equally-valuable grant. This effect holds true even though a firm's primary motive for investment is to earn a return from employees' side businesses, while a grant is an unconditional gift. However, when a firm decides to withhold funding, I observe the opposite. A denied grant leads to upset and a substantial reduction in effort, whereas a denied investment is met with understanding, and employees maintain a relatively higher level of effort.

**Do Words Matter? The Effect of Recognition Narrative Quality and Prosocial Motivation on Work Effort**

Modern employees are increasingly searching for meaning at work. While employee recognition has potential to help satisfy this need, and U.S. companies spend $96 billion annually on recognition systems to motivate their employees, we still have much to learn about what makes recognition meaningful to employees. In this paper, we use a framed field experiment to test the effect of recognition narrative quality on employees' post-recognition effort. We find that employees who receive more detailed and personalized praise voluntarily exert more post-recognition effort relative to employees who receive generic praise. Our results suggest that this effect is driven primarily by individuals who are relatively higher in prosocial motivation. Highly prosocial employees have a greater need to have a positive impact through their work and, thus, detailed praise that highlights their impact makes the recognition more meaningful for these individuals and increases their post-recognition effort. Conversely, we do not find that detailed praise influences post-recognition effort among employees who are lower in prosocial motivation. Our study provides important insights for managers seeking to provide meaning to and motivate their employees through recognition.

**4.02: Investor Reactions to Audit Work**

*Auditor Reporting on Other Information Outside of the Financial Statements*

Given the importance of 'other information' outside of the financial statements (e.g., in the MD&A) and concerns about its quality, there have been numerous calls for auditors to increase their involvement with this 'other information.' Interestingly, a high degree of diversity currently exists across standard setting bodies regarding auditors' responsibilities for other information and what auditors are required to disclose in the auditor's report about these responsibilities. Our study examines how the extent of auditor involvement with other information-as disclosed in the auditor's report-affects investors' perceptions of the reliability of this information and investors' reliance upon it in making investment decisions. Consistent with our expectations, we find that when auditors disclose a greater level of involvement with other information, investors perceive the reliability of this information to be enhanced. We further find that this reliability-enhancing effect depends on the nature of the other information-namely, whether it is financial or nonfinancial. Because auditors possess less knowledge and expertise regarding nonfinancial matters (e.g., operational information, ESG information), investors appear less confident in auditors' ability to increase the reliability of such information. Accordingly, we find that auditor involvement has a greater reliability-enhancing effect for financial versus nonfinancial information. These results suggest that the intended goals of enhanced auditor involvement with other information (i.e., increased comfort, confidence, and reliance on disclosed information) may not be realized to the same extent when that information is nonfinancial in nature.
The Signaling Effect of Critical Audit Matters: How Disclosure Patterns and Reporting Treatment Influence Investors' Judgments and Decisions

As one of few audit-related disclosures, critical audit matters (CAMs) act as an important signal of qualitative aspects of recognized (i.e., items shown on the face of the financial statements) or disclosed (i.e., items shown in the footnotes of the financial statements) financial statement items. My study examines how two CAM disclosure characteristics-disclosure pattern and reporting treatment of a CAM-related item—influence investors' processing fluency, risk perceptions, and investment decisions. Consistent with processing fluency, I find that a recurring CAM disclosure pattern (i.e., same CAM reported over time) compared to a mixed CAM disclosure pattern (i.e., a combination of recurring and transient CAMs reported over time) is processed with greater fluency and leads to more favorable judgments of risk and higher investment amounts. Additionally, investors perceive the highest (lowest) level of risk when a mixed (recurring) CAM disclosure pattern is combined with a disclosed (recognized) item and invest the least (most) amount of money.

The Joint Impact of Corporate Greenwashing and ESG Assurance on Investment Judgments

Firms face increasing pressure from stakeholders to appear environmentally friendly, despite variations in the degree to which a firm's business practices are environmentally friendly. Up to 72 percent of surveyed executives admit to greenwashing, which is the act of portraying a business as more environmentally responsible than it is. Meanwhile, executives must also decide whether to voluntarily purchase assurance over their environmental, social, and governance (ESG) disclosures; we hypothesize obtaining assurance will alleviate investors' concerns over greenwashing. Using student participants, we experimentally test the joint impact of greenwashing and ESG assurance (present vs. absent) on investment judgments. Consistent with corporate legitimacy theory, we find that greenwashing negatively affects individuals' willingness to invest and that a company's choice to obtain ESG assurance mitigates this effect. Supplemental analyses indicate that those who care less about the environment are appeased by ESG assurance in the face of greenwashing, whereas those who care more about the environment react negatively to greenwashing whether ESG assurance is obtained or not. Our findings provide evidence to managers regarding how their stakeholders perceive greenwashing practices and their decision to obtain ESG assurance.

4.03: Ethical Values and the Corporate Control Environment

The Influence of Corporate Codes of Ethics, Incentives, and Conscientiousness on Earnings Management

Corporate Codes of Ethics (CCEs) became mandatory for public companies following the Sarbanes-Oxley Act. Although CCEs were intended to curtail earnings management (EM), studies have not examined their effectiveness. Recent psychology literature finds that an individual's belief that it is difficult to act morally is a predictor of unethical behavior. Using a 2 x 2 between-subjects experimental design, we find that 1) CCEs priming that being honest is effortless (effortful) is associated with accounting professionals' attenuated (enhanced) EM accruals, while 2) financial bonus incentives that are variable (fixed) strengthen (weaken) EM accruals. We also find that orderly conscientious participants and those with greater work experience are more likely to engage in EM. Conversely, we find that CPAs and those who are more trusting of the accuracy of third-party expert estimates are much less likely to manipulate
earnings. We conclude with noteworthy study theoretical contributions and implications for professional practice.

**Multi-Level Relational Models in the Corporate Governance “Mosaic” and Financial Executives' Ethical Reporting Decisions**

Few studies truly understand the relationships and interactions in the corporate governance “mosaic” among corporate governance members and financial executives as it relates to ethical reporting decisions. This study applies stakeholder relational models theory to examine the influence of multi-level relational models at the group-, firm-, and individual-level with a sample of 203 financial executives' reporting decisions. The findings show that communal sharing group relations between corporate governance members and financial executives encourage ethical reporting decisions, but authority ranking group relations between the Chief Financial Officer and executives diminishes such decisions. A firm's behaviour will lead executives to adopt communal sharing relations with corporate governance members, which in turn influence executives to make ethical reporting decisions. In contrast, individual social dispositions matter little in group relations. This study provides new empirical evidence for stakeholder relational models theory when applied in a corporate governance setting involving financial reporting decisions. We also offer practical implications for firm management and their boards about nuanced group dynamics stemming from managing often-complicated relationships among corporate governance members and financial executives when ensuring ethical reporting decisions and financial reporting quality.

**4.04: Employee Learning and Knowledge Strategies**

**Exploitation or Exploration: Employees' Strategies in Projects with Highly Uncertain Outcomes**

In industries that rely on scientific research and innovations, employees often work on projects with highly uncertain outcomes. Inherent in these projects, a solution may or may not exist, and employees must experiment with many potential solutions. In this setting, different learning strategies exist: an exploitation strategy that focuses on one chosen project so that employees can better leverage knowledge familiar to them, or an exploration strategy that tries out different projects such that they constantly search for new knowledge unfamiliar to them. Research suggests that balancing exploitation and exploration is vital to organizations' long-term success. In this study, we examine how employees' propensity to honor sunk costs in decision making, and their organizations' control measures that either embrace or avoid failures, affect employees' learning strategies. Our experimental data provides evidence that the greater individuals' propensity to honor sunk cost, the more they adopt an exploitation (vs. exploration) strategy. Further, the control measures of positive framing of failures and symbolic awards for failures reduce such differences in strategy choice between individual employees. This is mainly because, among employees with a low propensity to honor sunk costs, these control mechanisms increase the extent to which they adopt an exploitation (vs. exploration) strategy.
Seek and Ye Might Not Find: The Effects of Contract Framing on Knowledge Sharing and Seeking

Knowledge transfer is important for employees to develop skills and improve performance. However, a critical challenge to effective knowledge transfer often stems from the lack of employee motivation to share or seek knowledge. This paper experimentally investigates how bonus and penalty contracts affect employee knowledge sharing and seeking. Prior research finds that, due to loss aversion, penalty contracts motivate higher employee effort. Yet drawing from prospect theory and conservation of resources theory, we predict that penalty contracts increase the stress associated with a fear of a potential loss, and increased stress, in turn, dampens employees' willingness to allocate their resources (e.g., time, effort) toward knowledge sharing. We also predict that, consistent with loss aversion, employees under a penalty contract are more likely to seek knowledge as compared to those under a bonus contract. Experimental results support our predictions and we find that stress mediates the relationship between contract framing and knowledge sharing. Overall, our study suggests that while a penalty contract encourages knowledge seeking, it demotivates employees from knowledge sharing, leading to greater disparity between the supply and demand for knowledge transfer within organizations.

Does Learning Mindset Moderate the Effect of Performance Information Type on Performance?

Performance information is one tool managers use to inform employees about the quantity and quality of their work. However, the effectiveness of that information for improving performance likely depends on the recipient's mindset. I use a laboratory experiment to investigate whether participants' learning mindset (fixed versus growth) influences performance information effectiveness and whether learning mindset effects differ for temporal (TPI) and relative (RPI) performance information. I find that participants who receive TPI rather than RPI perform better if they believe that intelligence and abilities can improve over time. I also find that the effect persists when performance information provision stops. This research is important because it introduces learning mindset and TPI effects on performance to the accounting performance-information literature and provides evidence that behavioral responses to performance information depend on individuals' learning mindset.

5.01: Practice and Regulatory Implications for the Audit Profession

Navigating Sustainability Disclosure: The Impact of Reporting Approach and Assurance Level on Investor Confidence and Investor-Auditor Expectation Gaps

We use two experiments to examine how a company's approach to sustainability reporting (investor-oriented versus broad-stakeholder) and its choice of assurance level (reasonable versus limited) affect investor and auditor confidence in sustainability disclosures across three dimensions—fair presentation, accuracy, and completeness. We predict and find investor confidence is lower with limited versus reasonable assurance for all three measures, and the increase in investors' perceptions of accuracy between limited and reasonable assurance is higher when the company takes a broad-stakeholder approach. In contrast to investors, auditor confidence is only affected by assurance level, not reporting approach. A comparison of investor and auditor confidence reveals significant expectation gaps (i.e., the difference between what the two groups believe assurance provides) for sustainability disclosures with limited assurance, and that investors have more confidence in the completeness of a broad-stakeholder versus
investor-oriented approach while auditors do not. Our study makes regulatory, academic, and practical contributions.

Is CPAB Captured? A Comparison of CPAB and Joint CPAB-PCAOB Inspection Deficiencies

This paper evaluates the effectiveness of Canadian Public Accountability Board (CPAB), the independent Canadian audit regulator charged with improving audit quality in Canada. I take advantage of a unique setting where a subset of Canadian auditors’ work is subject to joint inspection by CPAB and the U.S. Public Company Accounting Oversight Board (PCAOB), and draw on regulatory capture theory (Dal Bó, 2006; Stigler, 1971) to develop ex ante expectations for CPAB’s inspection finding patterns. Based on hand collected data from published inspection reports by CPAB and by PCAOB, I find that, consistent with a regulator captured by the interest of large regulatees, CPAB reports a significantly lower deficiency rate and fewer areas of deficiency than PCAOB for Canadian Big 4 accounting firms. I also find that, consistent with a captured regulator that exhibits “minimal squawk” but nothing more, CPAB’s deficiency rate is indistinguishable from PCAOB’s for non-Big 4 firms who have less clout. Combined with CPAB’s lack of transparent and consistent public disclosure, my results suggest that CPAB is likely captured by the interests of its larger regulatees and question the value of the independent regulator.

A Test of the Behavior Analysis Interview in a Fraud Setting

Abstract: This study examines the effectiveness of the Behavior Analysis Interview (BAI) interviewing technique in being able to distinguish with a relatively high degree of accuracy whether an interviewee is involved in fraudulent behavior or not. Using student participants, some who had cheated on an exam and some who had not, we simulate an interview using questionnaires that contain adapted versions of the BAI questions. While previous research has been unsuccessful in finding evidence that the BAI works, we find significant results suggesting that the BAI is quite effective—especially when using the entire interview rather than individual questions. We believe our findings are driven by the fact that we use actual fraudsters in our study rather than hypothetical fraudsters.

5.02: Words and Feelings Matter to Investors and Managers

Social Media and Investors’ Name-Induced Biases: Exacerbated Effects and Mitigation

Prior archival studies find evidence to suggest investors’ name-induced biases against financial professionals, which result in discrimination and biased resource allocation in the capital markets. For example, the stock market responds more significantly to the forecasts issued by analysts with ‘favorable’ names (e.g., Western European names) than analysts with ‘unfavorable’ names (e.g., Middle Eastern names). Our study predicts that the use of social media to communicate analyst information intensifies investors’ name-favorability biases against financial analysts, and that the cues about analyst reputation, which could be readily observable from the social media platforms, mitigate investor biases. Our experiments, which are conducted in the Twitter environment, provide evidence that when there are no reputation cues about a financial analyst who discloses a forecast via Twitter, investors’ investment willingness is positively influenced by the analyst’s name favorability. We also provide strong evidence to show that a direct reputation clue about the analyst, such as an all-star status, reduces
investors' name-induced bias. However, the evidence is weak on the mitigation effect of an indirect reputation cue such as the number of retweets and likes of the forecast tweet. In addition, the effects of investors' name favorability bias on their investment willingness are significantly mediated by the investors' affective trust, rather than their cognitive trust. Our results complement prior archival studies on investors' named-based biases and add evidence to the debate regarding the costs and benefits of social media use in the capital markets. Our results also provide implications to the investment community and regulators.

**Earnings Disclosures and Investor Judgments: The Joint Effect of Incidental Affect, Earnings Valence, and Emotion-Understanding Ability**

This study provides theoretical and experimental evidence on how the affect elicited by irrelevant information (incidental affect) and relevant earnings information (integral affect) jointly influence investors' judgments about a company. I find evidence that the mere presence of incidental affect biases investors' judgments downwards. This finding holds regardless of the congruence/incongruence of incidental and integral affect valence and even when the integral affect is positive. However, I find that lower judgments are observed only in investors with low emotion-understanding ability, one of the four branches of emotional intelligence. Overall, my theory and findings contribute to financial reporting and affect accounting literature by revealing how incidental affect elicited by irrelevant information surrounding earnings disclosures can negatively bias investor judgments, contingent on whether investors can disentangle incidental and integral affect that they are simultaneously experiencing.

**Context Matters: The Effect of Hedging Language in Managerial Communications on Escalation of Commitment**

We examine how the use of hedging language, frequently discouraged in business writing textbooks, can be more persuasive than unhedged language when used in a context-appropriate manner. To do so, we identify and manipulate contextual cues likely to make hedging more or less persuasive in an escalation of commitment dilemma, in which managers tend to send 'good money after bad' by continuing failing projects. We find that context-appropriate hedging language is better able to reduce escalation of commitment. Further, we provide evidence on how managers' skepticism affects their reactions to hedging language. Specifically, we find that those who are higher in autonomy, a sub-trait of skepticism, are more receptive to context-appropriate hedging language, and are therefore less likely to escalate commitment to a failing project. Our findings not only provide a low-cost method to mitigate escalation of commitment, but also demonstrate how context determines the effectiveness of a given communication strategy.

**5.03: Tools and Interventions that Influence Investors**

**Can Mindfulness Stabilize Investment Risk Taking in the Presence of Interruptions?**

Seemingly decision-irrelevant interruptions can increase risk taking (e.g., Liu, 2009), resulting in anomalous decision preferences. This paper explores whether, and when, brief mindfulness interventions can stabilize risk taking across interruption and no-interruption conditions. Studies 1 and 2 hypothesize and find that a task-focused mindfulness practice (in which participants contemplate investments) reduces investment variability across interruption conditions. Mediation analyses indicate that these effects arise due to reduced apprehension in the mindfulness conditions. Study 3 explores two non-task focused mindfulness interventions, i.e.,
breath awareness and a special place meditation, with a controlled, financial task motivation. These interventions fail to stabilize risk taking across interruption conditions. Study 4 replicates the Study 3 breath awareness and special place conditions, but with an autonomous (not controlled as in Study 3), i.e., a charitable donation, task motivation. Investment amounts in the Study 4 mindfulness conditions are partially consistent with the Study 1 results for mindfulness. We conclude that, although the effects of differing mindfulness interventions vary, a brief mindfulness intervention can influence investment stability across interruption conditions, depending on the specific mindfulness practice and the quality of task motivation, i.e., autonomous versus controlled.

**The Effect of News-Trade Integration on Investors' Judgments**

An increasingly common feature of investors' information environments is the combining of financial news curation features with trading functionality—i.e., news-trade integration. In this paper, we provide descriptive evidence to contextualize news-trade integration and experimentally investigate how news-trade integration affects investors' evaluation of news. We find that relative to investors who acquire news via a platform without trading functionality, investors who acquire news via a platform with trading functionality perceive positive news as less value-relevant and negative news as more value-relevant. We also find that investors scrutinize positive news more and negative news less when a platform has news-trade integration compared to when it does not. In a supplemental experiment, we find that investors believe platforms with versus without news-trade integration have stronger incentives to present positive news, which explains the variation in investors' evaluation of news we document in our primary experiment. Our study contributes to the literature on investors' information access tools and supports the SEC in their effort to better understand how digital engagement practices such as news-trade integration influence investors' judgments and behavior.

**Experimental Examination of the Location of the Management Performance Measure Reconciliation as Proposed in the IAS 1 Exposure Draft**

Management performance measures (MPM) are non-GAAP measures selected by managers to communicate their view of a firm's financial performance. Historically, MPMs have been disclosed in the management discussion and analysis (MD&A) and have not been subject to professional guidance or regulatory requirements. However, a recent exposure draft (ED 2020) proposes that MPM reconciliations be included in the notes to the financial statements and that a reconciliation between MPM and GAAP earnings be provided. While evidence shows that providing such a reconciliation will enhance the reliance on MPMs, the influence of the location of the reconciliation on users’ reliance has not been established. To provide insight into this question, we use an experiment to examine how the location of the MPM reconciliation influences the reliance of both sophisticated and naïve users. We find that the location affects these user groups differently. While naïve users rely less on the MPM reconciliation when it is included in the notes, as compared to the MD&A, location does not appear to influence sophisticated users’ reliance on the reconciliation. This can be explained through dual processing theory, based on which users of varying levels of sophistication process information differently. Naïve users engage in a heuristics-based approach, while sophisticated users are more deliberative in processing information.
5.04: Effects of Feedback and Praise in the Workplace

How Charged Language and Feedback Valence Influence Engagement and Performance in a Learning Task

In this study, we examine how feedback valence and language affect individual behavior over time in a learning task. Our setting is one in which there is a gap between feedback provision and subsequent performance that allows for voluntary engagement in a development activity. We predict that when neutral language is used, greater performance increases occur with negative-valence feedback relative to positive-valence feedback. We further predict that charged-language feedback will decrease performance improvement when feedback is negative-valence, but will have little to no effect on positive-valence feedback. We posit that this effect is due to negative-valence, charged-language feedback leading to reduced perceived fairness of the feedback, which leads to less engagement in the learning task. We find results consistent with our expectations. Specifically, we find that when neutral language is used, negative-valence feedback leads to greater performance improvement than positive-valence feedback. However, when charged language is used negative-valence feedback reduces performance improvement. We do not find the same pattern when positive valence feedback is given. Our path analyses support the role of fairness perceptions and employee engagement as driving differences in performance improvement. The study contributes to our understanding of how feedback valence influences performance and the underlying mechanisms of this process. Moreover, the research helps organizations understand how feedback affects voluntary engagement in learning, providing insight into the costs and benefits of individual feedback.

Delivering Negative Feedback from Afar: How Organizational Identification Maintains Feedback Effectiveness in Remote Work Environments

In this study, we experimentally examine how workers respond to negative feedback in remote work environments, and how increasing the salience of workers' organizational identity affects this response. Leveraging theoretical concepts from Regulatory Fit Theory and psychological distance, we predict and find that when remote workers have a larger psychological distance from their work, their performance decreases following negative feedback. However, decreasing workers' psychological distance from their work, through stronger organizational identification with their employer, improves remote workers' performance following negative feedback. Thus, a strong organizational identification compensates for the greater psychological distance that remote workers experience, causing maintaining a similar feedback control effectiveness to in-person workers. Our study contributes both to practice by identifying a mechanism for improving managers' delivery of negative feedback in remote work environments and to research by investigating how remote work environments change our understanding of how management controls function.