

Incentives and Control Systems Seminar

September 26, 2023, 10:15-12:45, Introductory session

November 28, 2023, 10:30-16:00, Seminar

Location: Seminarraum 105 Engehalde, E8

Prof. Dr. Fabien Ize

University of Bern

Institute for Accounting (IUC)

Managerial Accounting Section

Engenhaldenstrasse 4, CH-3012 Bern

Email: fabien.ize@unibe.ch

1. Content

This course is a research seminar for master students in Accounting, Control, and Finance. As a pre-requisite, participants should have a basic expertise in managerial accounting, finance and principal-agent-theory. The course language is English. The number of participants is constrained to a maximum of 14.

The purpose of the course is twofold: First, students will deepen their knowledge of some central accounting topics with a specific focus on the effects of motivating and steering performance in firms. Second, students will gain insights into how to understand, analyze and conduct empirical accounting research (e.g., experiments and surveys) and how to prepare a research proposal. Introductory literature into the methodology of experimental research will be uploaded to ILIAS and represents mandatory reading material.

The seminar will be organized in four blocks of different fields of accounting research: *Performance Evaluation, Knowledge Sharing, Target Setting, and Input- and Output-related Incentives*. Students will be assigned to one of these blocks according to their preferences and provided with some relevant research literature in this field. Each student's task consists in developing his/her own research question and proposal in the assigned field of accounting research and to write a seminar paper on this research proposal (in English; max. 12 pages without title page, index and bibliography; 12pt font size; 1.5 line spacing), that has to be submitted **by November 14, 2023 (23h59)**. Therefore, students will have to search for further literature and understand the current state of the art, its limitations and gaps in the field before

developing their own research question.¹ Based on their knowledge of the relevant literature in the field and the topics treated in this field, students will develop their own research idea.

They are then supposed to develop their own theory, hypotheses and research design. The methodology of their research proposal can be either experimental, empirical (archival or survey) or analytical, depending on what method fits best to answer the research question. Hence, the seminar papers are not mere summaries of the existing research; students are explicitly required to introduce a novel question, provide in-depth explanations for their theory, hypotheses and research design.

The seminar paper is expected to include the following points: i) current state of literature, ii) identification of an interesting research question, iii) theory leading to the hypotheses and iv) sketch of the research design including the so called *Libby-Boxes*² that will be explained in the introductory session.

The content of the seminar paper will then be presented (~30min). Afterwards, the project will be discussed in group (~15min). To facilitate the discussion, each student prepares a short handout (max. 2 pages) for his/her presentation containing the most important points of your paper and the before mentioned *Libby-Boxes*.

All students are prepared for every session, i.e. they prepare the corresponding readings and handouts and they participate actively in the class discussions. Comments based on scientific arguments are expected to be inquisitive, thoughtful and helpful for the presenters. Therefore, when preparing the presentation, they should think about some questions and problems they can share with their fellow students, making it easy to start a discussion in class.

Participants are required to be present during all sessions, i.e. also during the introductory session in which preferences for topics can be stated.

2. Course Evaluation

- Presentation and handout (50%)
- Written seminar paper (50%)

¹ Good journals include, e.g. Accounting, Organizations and Society; The Accounting Review; Contemporary Accounting Research; Journal of Accounting and Economics; Journal of Accounting Research; Review of Accounting Studies; Journal of Management Accounting Research; Behavioral Research in Accounting or Management Science.

² Libby, R. 1981. *Accounting and Human Information Processing: Theory and Applications*. Eaglewood Cliffs (NJ): Prentice Hall: 10-15.

3. Topics and Readings

Basic Mandatory Reading on Experimental Methodology

Libby, R., R. Bloomfield, and M. W. Nelson. 2002. Experimental Research in Financial Accounting. *Accounting, Organizations and Society* 27 (8): 775–810. (methodology, Libby-Boxes and possible applications with focus on financial accounting)

Smith, M. 2003. *Research Methods in Accounting*. London, Thousand Oaks, New Delhi: Sage Publications, Chapter 6: Experimental Research, 100-116.

Sprinkle, G. B., and M. G. Williamson. 2007. Experimental Research in Managerial Accounting. In *Handbook of Management Accounting Research (Volume 1)*, edited by C. S. Chapman, A. G. Hopwood, and M. D. Shields. Oxford/ Amsterdam: Elsevier, 415-444. (rather topic orientated introduction to research in experimental research in managerial accounting)

Optional:

Guala, F. 2005. *The Methodology of Experimental Economics*. Cambridge: University Press, 11-6, and 62-83.

Friedman, D., and S. Sander. 1994. *Experimental Methods: A Primer for Economists*. Cambridge: University Press, 1-37.

Libby, R. 1981. *Accounting and Human Information Processing: Theory and Applications*. Eaglewood Cliffs (NJ): Prentice Hall, 10-15. (where the Libby-Boxes originate from)

Basic Mandatory Reading on Survey Methodology

Van der Stede, W. A., S. M. Young, and C. X. Chen. 2005. Assessing the Quality of Evidence in Empirical Management Accounting Research: The Case of Survey Studies. *Accounting, Organizations and Society* 30(7-8): 655-684. (framework with key elements of survey design: purpose and design, population definition and sample selection, survey questions and other research method issues, (accuracy of data entry), disclosure and reporting)

Bedford, D. S., and R. F. Speklé. 2018. Construct Validity in Survey-Based Management Accounting and Control Research. *Journal of Management Accounting Research* 30(2): 23-58. (validity concerns in survey items, four areas: construct dimensionality, choice of measurement model, casual vs. composite indicators, single item measures)

Optional:

Speklé, R. F., and S. K. Widener. 2018. Challenging Issues in Survey Research: Discussion and Suggestions. *Journal of Management Accounting Research* 30(2): 3-21. (four concerns in surveys: non-random sampling and generalizability, biases, single-source data and CMB, correlated omitted variables)

Speklé, R. F., and S. K. Widener. 2020. Insights on the Use of Survey to Study Management Control Systems. *Accounting, Organizations and Society* 86: 101184. (specific for management control systems)

Kwok, W. C. C., and D. J. Sharp. 1998. A Review of Construct Measurement Issues in Behavioral Accounting Research. *Journal of Accounting Literature* 17: 137-174.

Basic Reading “Knowledge Sharing”

Bol, J. C., and J. Leiby. 2022. Status Motives and Agent-to-Agent Information Sharing. *Review of Accounting Studies* 27: 122-147.

Haesebrouck, K., A. Van den Abbeele, and M. G. Williamson. 2021. Building Trust through Knowledge Sharing: Implications for Incentive System Design. *Accounting, Organizations, and Society* 93: 101241.

Hwang, Y., D. H. Erkens, and J. H. Evans III. 2009. Knowledge Sharing and Incentive Design in Production Environments: Theory and Evidence. *The Accounting Review* 84(4): 1145-1170.

Tafkov, I., K. Towry, and F. H. Zhou. 2022. The Impact of knowledge transfer on investment in knowledge creation in firms. *Contemporary Accounting Research*, 39(2), 1260-1296.

Basic Reading “Performance Evaluation”

Maas, V. S., M. van Rinsum, and K. L. Towry. 2012. In search of informed discretion: An experimental investigation of fairness and trust reciprocity. *The Accounting Review*, 87 (2), 617–644.

Hecht, G., V. Maas, and M. Van Rinsum. 2023. The Effects of Transparency and Group Incentives on Managers’ Strategic Promotion Behavior. *The Accounting Review*, 98 (7), 1–22.

Bol, J. C., S. Kramer, and V. S. Maas. 2016. How control system design affects performance evaluation compression: The role of information accuracy and outcome transparency. *Accounting, Organizations and Society*, 51, 64-73.

Basic Reading “Target Setting”

Arnold, M.C., and M. Artz. 2015. Target Difficulty, Target Flexibility, and Firm Performance: Evidence from Business Units’ Targets. *Accounting, Organizations and Society* 40: 61–77.

Feichter, C., I. Grabner, and F. Moers. 2018. Target setting in multi-divisional firms: State of the art and avenues for future research. *Journal of Management Accounting Research* 30(3): 29-54.

Webb, R. A., S. A. Jeffrey, and A. Schulz. 2010. Factors Affecting Goal Difficulty and Performance when Employees Select their Own Performance Goals: Evidence from the Field. *Journal of Management Accounting Research* 22: 209–232.

Webb, R. A., M. G. Williamson, and Y. M. Zhang. 2013. Productivity-target Difficulty, Performance-based Pay and Outside-the-box Thinking. *The Accounting Review* 88(4): 1433–1457.

Basic Reading “Input- and Output-related Incentives”

Arnold, M. C., R.L. Hannan, and I. D. Tafkov. 2020. Mutual Monitoring and Team Member Communication in Teams. *The Accounting Review* 95(5): 1-21.

Chan, E. W., S. J. Kachelmeier, and X. Zhang. 2021. Working Longer but Not Harder: The Effects of Incentivizing Inputs versus Outputs in a Heterogeneous Workforce. *The Accounting Review* 96(5): 133-156.

Mohanan, M., K. Donato, G. Miller, Y. Truskinovsky, and M. Vera-Hernandez. 2019. Different Strokes for Different Folks: Experimental Evidence on the Effectiveness of Input and Output Incentive Contracts for Health Care Providers with Varying Skills. NBER Working Paper.

Brüggen, A., C. Feichter, and M. G. Williamson. 2018. The Effect of Input and Output Targets for Routine Tasks on Creative Task Performance. *The Accounting Review* 93(1): 29-43.

All papers and reading materials are available at the Institute for Accounting. Basic literature will be made available shortly after the registration deadline.

4. Organization and Schedule

The **final deadline to register** is **September 8, 2023** (23h59) by email to lynn.selhofer@unibe.ch.

Together with the registration, the current profile sheet ("Studienblatt") is required as well as additional information about the stage of studies and the motivation for the seminar (e.g. plans for the master thesis). Note that the registration is decisive and binding.

Whenever the number of registrations exceeds the maximum number of 14 participants for this seminar, we will select students based on the following criteria: Grades in accounting classes; Motivation letter; Current state of master studies.

In addition to the email registration, students are required to **register in KSL**.

Please reserve the following dates in your agenda:

- **September 26, 2023, 10:15-12:45**, Introductory session
- **November 28, 2023, 10:30-16:00**, Seminar

Location: Seminarraum 105 Engehalde, E8

The **seminar paper** has to be submitted by **November 14, 2023 (23h59)** to fabien.ize@unibe.ch and lynn.selhofer@unibe.ch. Missing the deadline will lead to the attribution of the minimal mark (1.0).

Students who will be presenting send their **slides and handouts** by **November 26, 2023** (23h59) to lynn.selhofer@unibe.ch, so that the handouts can be made available to the whole group on ILIAS. Minor adjustments on the slides can be made afterwards; the grades will be based on the versions students present in class.