Accounting Recruiting Seminar
Alberta School of Business
Department of Accounting, Operations, and Information Systems

Presents:
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Topic:
The Hidden Benefits of Control: The Effect of Incentive Contract Type on Employee Reaction to Reporting Controls

Tuesday February 5, 2019
10:00am – 11:30am
BUS Room 4-04 (CA Conference Room)

ABSTRACT
Prior research finds that employees perceive restrictive controls as a signal that their manager does not trust them to behave appropriately. While this might be true sometimes, I argue that an employee’s attribution as to why a control was implemented could depend on contextual factors, such as the employee’s compensation scheme. Specifically, I predict that, compared to piece rate contracts, relative performance contracts are more likely to redirect an employee’s focus from how the reporting control affects themselves to how the reporting control affects their peers, increasing the likelihood that employees will view a reporting control as a means of improving fairness. If so, employees might respond favorably, for example, by reciprocating positively in response to a reporting control being implemented, as opposed to reciprocating negatively, as observed in prior research. The results of a two-stage laboratory experiment indicate that employee reactions to a control decision depends not only on their compensation scheme, but also on the perceived cost to the manager for implementing the control.

(Copies of the paper are available in the AOIS Department offices)