

PhD course in Managerial Accounting: Archival and Field Studies

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Introduction

This 5-day course is designed for PhD students in accounting and covers two essential building blocks in managerial accounting: the use of information for belief revision and performance evaluation. Topics that will be covered relate to belief revision in managerial decision making, target setting, (subjectivity in) performance evaluation, and the use of performance assessments in making promotion and career decisions. In addition, the underlying theories will be discussed and the interrelated nature of these topics will be highlighted.

In discussing and assessing research in this area, we will rely on studies using proprietary company archival data and field experiments. This highlights the connection between academia and practice, making these topics relevant to both your academic research and practical application in organizations. In addition, we have room for some of you to present your research proposal and receive feedback to make progress with your proposed study.

The course will start with **belief revision**. We look at how managers/employees change their decisions and plans when they receive new information. For researchers, the concept of belief revision is vital for understanding how businesses adapt and evolve, and where decision-makers are under the constant need to update their plans to new financial or non-financial information.

Belief revisions naturally flows into **target setting**. This is not just about setting goals; it is about understanding how targets are set and how these targets influence employee behavior and performance.

Having set targets, we move on to assessing performance, and more specifically the use of **subjectivity in performance evaluation**. We explore the gray areas in how employees are assessed. How do subjective elements – like a manager's perception – impact evaluations? We examine how subjectivity can be both a challenge and an opportunity in managing employee performance.

Finally, we discuss the **use of performance assessments for promotion and career decisions**. Performance evaluations do not just assess past work; gradually evaluation systems have adapted to take into account employee potential, thereby also guiding future career opportunities. Performance and potential evaluations are essential for an individual's career path and can shape the internal labor market of a company. This topic opens a wide field of study into the long-term effects of evaluation practices on employee career trajectories and organizational dynamics.

While the above listing of topics suggests that these are independent, they typically are not. Throughout the course, we will be tying these concepts together, showing how each one impacts the others. We will also focus on the specific (identification) challenges that archival and field studies are presented with, giving you the tools and knowledge you need to pursue this type of managerial accounting research.

Course schedule

We will have class on Monday January 22 through Thursday January 25, each time from 9.00hrs until 12.00hrs for the morning session, and from 14.00hrs until 16.00hrs for the afternoon session. On Friday January 26, Maastricht University will award an honorary doctorate to Christian Leuz, professor of accounting and finance at the Booth School of Business at the University of Chicago. From 10.00hrs until 12.00hrs Christian will give a seminar, in which you will participate. The seminar is followed by a lunch, which ends the course.

Preparation before class

At the end of the document is a list of articles. All students are expected to have familiarized themselves with these articles before the course, which implies reading the introduction of each of these articles (feel free to read more). In addition, *every student needs to prepare two articles in depth*. This implies being able to present and explain the content, provide a critical assessment of each, as well as a comparison between the two articles. The allocation of the articles will be communicated in a separate email.

Grading

1. Class preparation (25%)

See above. All articles in the list are in journals to which I expect your libraries to have access, but please let me know if that is not the case and I can provide a pdf.

2. Class participation (25%)

I expect you to actively participate by asking questions and/or providing comments. This is not a “counting exercise”; quality matters.

3. Presentation of papers (25%)

As stated above, in addition to explaining the content, provide a critical assessment. Elaborate on the strengths of the papers and where there would be room for improvement (weakness). Also explain why the strengths outweigh (or not) any weaknesses.

4. Review of paper (25%)

During the course you will receive a paper that you are asked to review. The review should be no longer than two pages and send via email (f.moers@maastrichtuniversity.nl). The deadline is Friday February 9th.

List of articles

- Aranda, C., Arellano, J., & Davila, A. (2014). Ratcheting and the role of relative target setting. *The Accounting Review*, 89, 1197–1226.
- Banker, R. D., Lee, S.-Y., Potter, G., & Srinivasan, D. (2000). An empirical analysis of continuing improvements following the implementation of a performance-based compensation plan. *Journal of Accounting and Economics*, 30, 315–350.
- Bouwens, J., & Kroos, P. (2011). Target ratcheting and effort reduction. *Journal of Accounting and Economics*, 51, 171–185.
- Cai, W. (2023). Formalizing the informal: Adopting a formal culture-fit measurement system in the employee-selection process. *The Accounting Review*, 98, 47–70.
- Campbell, D. (2008). Nonfinancial performance measures and promotion-based incentives. *Journal of Accounting Research*, 46, 297–332.
- Campbell, D. (2012). Employee selection as a control system. *Journal of Accounting Research*, 50, 931–966.
- Casas-Arce, P., & Martinez-Jerez, F. A. (2009). Relative performance compensation, contests, and dynamic incentives. *Management Science*, 55, 1306–1320.
- Casas-Arce, P., Lourenço, S. M., & Martinez-Jerez, F. A. (2017). The performance effect of feedback frequency and detail: Evidence from a field experiment in customer satisfaction. *Journal of Accounting Research*, 55, 1051–1088.
- Casas-Arce, P., Martinez-Jerez, F. A., & Narayanan, V. G. (2017). The impact of forward-looking metrics on employee decision-making: The case of customer lifetime value. *The Accounting Review*, 92, 31–56.
- Deller, C. (2023). Beyond performance: Does assessed potential matter to employees' voluntary departure decisions? *Journal of Accounting Research*, 61, 981–1024.
- Eyring, H., Ferguson, P. J., & Koppers, S. (2021). Less information, more comparison, and better performance: Evidence from a field experiment. *Journal of Accounting Research*, 59, 657–711.
- Grabner, I., & Moers, F. (2013). Managers' choices of performance measures in promotion decisions: An analysis of alternative job assignments. *Journal of Accounting Research*, 51, 1187–1220.
- Grabner, I., Künneke, J., & Moers, F. (2020). How calibration committees can mitigate performance evaluation bias: An analysis of implicit incentives. *The Accounting Review*, 95, 213–233.
- Holzhacker, M., Kramer, S., Matějka, M., & Hoffmeister, N. (2019). Relative target setting and cooperation. *Journal of Accounting Research*, 57, 211–239.

- Hung, C.-Y., Lillis, A. M., & Wu, A. (2023). Does referral-based hiring exacerbate agency problems? *The Accounting Review*, 98, 277–297.
- Kampkötter, P., & Sliwka, D. (2018). More dispersion, higher bonuses? On differentiation in subjective performance evaluations. *Journal of Labor Economics*, 36, 511–549.
- Lourenço, S. M. (2016). Monetary incentives, feedback, and recognition - complements or substitutes? Evidence from a field experiment in a retail services company. *The Accounting Review*, 91, 279–297.
- Manthei, K., Sliwka, D., & Vogelsang, T. (2023). Information, incentives, and attention: A field experiment on the interaction of management controls. *The Accounting Review*, 98, 455–479.
- Manthei, K., Sliwka, D., & Vogelsang, T. (2023). Talking about performance or paying for it? A field experiment on performance reviews and incentives. *Management Science*, 69, 2198–2216.
- Matsumura, E. M., & Shin, J. Y. (2006). An empirical analysis of an incentive plan with relative performance measures: Evidence from a postal service. *The Accounting Review*, 81, 533–566.
- Moers, F. (2005). Discretion and bias in performance evaluation: the impact of diversity and subjectivity. *Accounting, Organizations and Society*, 30, 67–80.