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The Effect of CSR Reporting Requirements
and Organizational Identification on Financial Misreporting
By

Melanie Irene Millar
Doctor of Philosophy
Business

Kathryn Kadous
Advisor

Kristy Towry
Committee Member

Greg Waymire
Committee Member

Melissa J. Williams
Committee Member

Accepted:

Lisa A. Tedesco, Ph.D.
Dean of the James T. Laney School of Graduate Studies

Date

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Melanie Millar
B.B.A., College of William and Mary, 2005

Advisor: Kathryn Kadous
B.S.B.A., Accounting, Creighton University, 1986
M.A.S., University of Illinois at Urbana-Champaign, 1990
Ph.D., University of Illinois at Urbana-Champaign, 1996

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Abstract

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Reporting on CSR activities has become the norm rather than the exception among the largest companies in the world, and the regimes under which these companies report vary widely in the degree of regulations over this reporting. Despite this prevalence and variety of CSR reporting, relatively little is understood about how it affects other areas of the business such as financial reporting. In this study, I investigate the conditions under which voluntarily reporting on CSR activities can have the unintended consequence of morally licensing firm employees to misreport more in financial disclosures. Specifically, I find that the strength of the employees' identification with the organization moderates the effect of the CSR reporting requirement on the degree of financial misreporting. When the organization voluntarily reports on CSR, rather than reporting in compliance with a mandate, weakly identified employees misreport more. This misreporting behavior is mitigated, however, by strong organizational identification.

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I. Introduction

Corporate social responsibility (CSR) reporting is now a mainstream business practice for large companies. In the past ten years, the percentage of the largest 250 companies in the world that report on CSR has jumped from just over 50% in 2005 to 93% in 2013 (KPMG 2008, 2013). Similar to reporting requirements regarding financial disclosures, the regulations concerning CSR reporting vary across countries and securities exchanges. For example, in Denmark, large companies are required to either report on CSR activities or explain why they do not report, and companies listed on the Malaysia Stock Exchange are required to describe their CSR activities and provide CSR information in their annual reports (KPMG 2013). In the United States, though, mandates of CSR reporting are more limited. Federal agencies are required to report on CSR performance (KPMG 2013), and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires companies to disclose information about their use of conflict minerals and about the safety of the mines they operate to the SEC. Despite the pervasiveness of CSR reporting and the rich variation in reporting mandates and practices, research on its effects is limited.

The purpose of this paper is to examine how the requirement to report on CSR activities affects the likelihood that managers will make misleading financial reports. Archival evidence on the relationship between CSR activities and earnings quality is mixed. Kim et al. (2012) find that firms with higher CSR performance have higher earnings quality than firms with lower CSR performance, whereas Prior et al. (2008) find that managers strategically engage in CSR activities in order to increase stakeholder support while they engage in other self-serving behaviors like managing discretionary accruals. I contribute to this literature by testing a theory that explains why CSR is associated with both good and bad firm behavior, helping to reconcile seemingly inconsistent archival results.

I develop and test theory that managers are more likely to make misleading financial reports when their firm voluntarily reports on its CSR activities rather than when it reports to comply with a mandate. This theory is derived from the moral licensing literature in psychology, which shows that people are more likely to misbehave after they take good actions that affirm their self-concepts (e.g. Monin and Miller 2001). For example, when people selected from a set of green products to buy in a laboratory experiment, they were more likely to cheat and steal in order to increase their payoff than participants who selected from a set of conventional products (Mazar and Zhong 2010). Interestingly, for individuals to experience moral licensing, they do not always need to personally perform the good action that licenses them to misbehave. Individuals can be licensed through the actions of the groups with whom they identify (Kouchaki 2011). Since prior literature shows that employees identify with the organizations for which they work (e.g. Ashforth and Mael 1989), I expect that employees can be morally licensed by the good actions of their companies.

Evidence suggests that strong CSR performance is construed as positive by company stakeholders. For instance, in a survey of employees from Korean companies that published Global Reporting Initiative CSR reports in 2006, knowledge of firm CSR activities correlated with higher perceptions of the company’s prestige and higher reported commitment to the company (Kim et al. 2010). In another survey, students rated company reputation and attractiveness as an employer more highly when CSR was higher

(Turban and Greening 1997). In an accounting context, auditors perceive that they share more values with their audit clients when those clients participate in CSR activities, and this participation leads to stronger identification with them (Bauer 2015). Additionally, CSR performance can change how potential investors feel and how they value the company (Elliott et al. 2014). Strong CSR performance relative to the company's industry peers induces positive affect, whereas poor CSR performance relative to the company's industry peers induces negative affect among non-professional investors (Elliott et al. 2014). In an experiment, participants are willing to invest more in companies with profit-decreasing CSR activities—as long as profit isn't decreased too much (Martin and Moser 2014). These findings indicate that stakeholders value and react to company CSR performance. I extend this literature by testing conditions under which the *reporting* of this CSR performance could cause managers to be morally licensed, resulting in them acting against, rather than for, stakeholder interests.

I further expect that this moral licensing effect depends on the company voluntarily issuing the CSR report rather than issuing it in compliance with a regulatory mandate. I expect this because moral licensing relies on individuals having a positive view of themselves, in other words, on the affirmation of their self-concepts. In an organizational setting, this affirmation depends on the employee inferring positive attributes about the company due to the firm's behavior. Research on attribution theory shows that the causal role of something or someone is discounted when other possible explanations for the cause exist (Kelley 1973). For example, when participants are told that their volunteer service is court-mandated, they do not exhibit moral licensing behavior, presumably because they attribute the cause of their good behavior to the threat of court enforcement instead of their own good, intrinsic qualities (Khan and Dhar 2006). For this reason, I expect that managers will misreport more when firm CSR reports are provided voluntarily than when they are provided in order to comply with a mandate.

Strong organizational identification, though, could mitigate this moral licensing effect. When elements of individuals' self-concepts are central, rather than peripheral, to how they see themselves, those elements are less likely to change (Sedikides 1995). Research shows that employees identify with their companies and that this identification can be based on shared values with the organization, which results in employees going above and beyond their job requirements in order to benefit the organization (e.g., O'Reilly and Chatman 1986). To the extent that company management can induce strong identification with the organization among their employees, that identification could become central, instead of peripheral, to employees' self-concepts. I expect that this centrality of organizational identification would interact with the voluntary disclosure of CSR to cause employees to behave in a conforming manner with the company (i.e., act for the interest of stakeholders) instead of a licensed manner (i.e., selfishly and against stakeholder interest). In other vicarious moral licensing settings, however, group identification has exacerbated, not mitigated, the licensing effect (Kouchaki 2011), so I contribute to this psychology literature by examining whether these results extend to an organizational setting.

To test my predictions, I conduct a between-subjects quasi-experiment in which one independent variable is manipulated and the other is measured. I manipulate whether CSR disclosure is mandatory or voluntary and measure participants' organizational identification using an adaptation of the scale validated in Mael and Ashforth (1992). To measure financial misreporting, I adapt the reporting decision task from Johnson et al. (2015). Acting in the role of a division manager, participants are tasked with selecting the probability of high earnings to report to company stakeholders. They are told that the true probability that earnings will be high is 20% and that reporting this probability has the highest payoff to the stakeholders. Reporting accurately, however, causes them to forfeit additional personal payoff. To increase their payoff, they can report a higher probability of high earnings, but the higher the probability they report, the lower the payoff to the external stakeholders. This probability choice does not just affect the allocation of payoffs between the division manager and the stakeholders, however. It also changes the total payoff that is distributed. When managers behave selfishly by selecting higher probabilities to report, they not only reallocate the payoff from the stakeholders to themselves, but they also reduce the total payoff. This total payoff reduction creates a deadweight social loss within the experiment. In addition, I collect measures of participants' perceptions about the company, CSR, and their self-concepts.

The data support my hypotheses. The main effect of voluntary CSR reporting increasing financial misreporting is only marginally significant, because the effect of the CSR reporting requirement on misreporting is moderated by organizational identification. Voluntary CSR reporting does increase financial misreporting but only when employees weakly identify with the organization. When employees strongly identify with the organization, this misreporting is mitigated, and the CSR reporting requirement does not influence financial misreporting. Consistent with my theory that moral licensing operates through the peripheral elements of the self-concept, these data provide marginal support that participants misreport less when their moral identity is more important to them.

Additionally, greater misreporting is associated with less favorable reports about the self, indicating that participants recognized that their misreporting reflected on themselves.

This study contributes to the accounting literature by showing that attributes of CSR reports, separate from the CSR activities being reported, can affect financial reporting. Specifically, voluntary CSR disclosure can cause managers to make financial reporting decisions that benefit themselves at the expense of other company stakeholders. This finding has implications for the investors and employees, as well as potential investors and employees, of companies that voluntarily report their CSR activities. Specifically, these parties may benefit from knowing that CSR reporting practices can spur good managers to unintentionally act against stakeholder interests. Since most CSR disclosures are not mandatory in the United States, this result is particularly relevant for stakeholders of U.S. companies.

This study also demonstrates the counteracting influence of manager organizational identification. Voluntary CSR reporting only increases financial misreporting when managers weakly identify with the organization. When managers strongly identify with the organization, this misreporting behavior is mitigated. Company management can use this knowledge to bolster organizational identification and prevent moral licensing behavior. Additionally, this study contributes to the psychology and organizational behavior literatures by extending moral licensing theory to the company setting and demonstrating that people can be licensed by the actions of their organization.

The rest of the paper is organized as follows. Section II reviews the literature and develops my hypotheses. Sections III and IV describe the experimental design and results, respectively, and Section V concludes.

II. Background and Hypothesis Development

Corporate Social Responsibility and Accounting

Corporate social responsibility (CSR) has numerous definitions.[1] The European Commission (2016) defines it as "companies taking responsibility for their impact on society." Milton Friedman (1970) does not define it, asking instead, "What does it mean to say that "business" has responsibilities? Only people have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense." Harjoto and Jo (2011), however, summarize Friedman's definition as "CSR can be viewed as an extension of firms' efforts to maximize shareholders' wealth but also conformed to the basic rules of society." Despite a plethora of definitions, Sprinkle and Maines (2010) coalesce these into the idea that "CSR represents voluntary firm endeavors which benefit society.

Archival studies find mixed results for the relationship between CSR performance and earnings management. After controlling for financial performance and firm reputation, Kim et al. (2012) find that strong CSR is associated with higher earnings quality through lower discretionary accruals, less real earnings manipulation, and fewer AAERs against CEOs and CFOs, supporting the idea that CSR performance is a signal of honest management. Prior et al. (2008), however, hypothesize and find the opposite association, which is that managers strategically engage in CSR activities in order to increase stakeholder support while they engage in other self-serving behaviors like earnings management. These mixed results about the association between CSR activities

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[1] There are several reviews on CSR. For example, see Cohen and Simnett 2014 for CSR and accounting, Huang and Watson 2015 for CSR and auditing, and Taneja et al. 2011 for CSR more generally.

and earnings quality impede concluding whether CSR activities indicate that management is honest or self-serving. This study contributes to this literature by investigating conditions under which the reporting of CSR activities is more or less likely to lead to self-serving, financial misreporting by managers.

Research has demonstrated that CSR reports do affect capital market outcomes. Consistent with the voluntary disclosure literature, investors appear to reward companies who voluntarily disclose information about their CSR activities.[2] For example, chemical companies that provided more extensive environmental disclosures were penalized less after the Carbide 1984 chemical leak than companies with less extensive disclosures (Blacconiere and Patten 1994). Similarly, investors penalize companies for their greenhouse gas emissions, but this penalty is reduced for companies that voluntarily disclose the information (Matsumura et al. 2013). The initial year of providing a CSR report is also associated with favorable market outcomes including a lower cost of equity capital in the following year, an increase in longer-term stock positions by institutional investors, and an increase in the number of analysts following the company (Dhaliwal et al. 2011). Analyst forecast error and dispersion are also lower (Dhaliwal et al. 2011).

Complementarily, Plumlee et al. (2015) find that characteristics of voluntary environmental disclosures, such as whether the disclosures are quantifiable and whether the disclosure is about a positive activity, are associated with the cost of equity capital. This result provides additional support that not all disclosures are treated equally, so research specifically regarding the effect of CSR disclosures, rather than disclosures in general, is required to understand their impact. Although these studies demonstrate

[2] See Beyer et al. 2010 for a review of the disclosure literature and Mercer 2004 for a framework of disclosure credibility.

positive effects associated with voluntary CSR reporting, they do not disentangle the effects of the report from the effects of the activities that are reported, so we cannot determine whether the observed effects are due to the activities, the reporting, or both. This study extends previous archival results on CSR reporting and experimental results on CSR performance by using an experiment to examine the effects of CSR reports while holding CSR performance constant. It also builds on prior literature by focusing on the effects of CSR reports on manager, rather than investor, decision-making.

Corporate Social Responsibility, Organizational Identification, and Manager Self-concept

Employees often identify with the organizations for which they work (e.g. Ashforth and Mael 1989). “Organizational identification is the degree to which a member defines him - or herself by the same attributes that he or she believes define the organization” (Dutton et al. 1994). This self-definition that the employee compares to the organization’s identity is the employee’s self-concept. A person’s self-concept is her understanding of herself as a “physical, social, and spiritual or moral being” consisting of “various identities and attributes, and their evaluations” (Gecas 1982). Extended from social identity theory, which describes a person’s identification with their social groups (Tajfel and Turner 1986), an employee’s organizational identification is stronger when she believes that more aspects of her self-concept are shared with the organization (Dutton et al. 1994).

Employees initially identify with their organizations because they observe that the organizations have attributes that match those in their self-concepts. Since social identification represents a “psychological merging” of the self and the group (Van

Knippenberg and Sleebos 2006, Turner et al. 1987), employees who identify also incorporate characteristics that they attribute to the organization into their own self-concepts (Ashforth and Mael 1989, Dutton et al. 1994). Since people prefer to maintain a credible belief that they are "good" (Steele 1988), this incorporation of company characteristics into manager self-concepts is more likely to occur when managers view the company positively.

Research shows that CSR activities carry positive connotations. Managers of large, global companies state that CSR reporting has a "significant positive impact on employee pride and motivation" that helps with talent recruitment and retention (KPMG 2013). A 2013 survey of Millennials with college degrees and full-time employment across 26 countries supports this assertion (Deloitte 2014). It found that these Millennials "want to work for organizations that foster innovative thinking, develop their skills, and make a positive contribution to society" (Deloitte 2014). Additionally, in a survey of employees from Korean companies that published Global Reporting Initiative reports in 2006, knowledge of firm CSR activities was correlated with stronger organizational identification and more positive perceptions of the firm (Kim et al. 2010). Auditors also perceive that they share more values with organizations that have strong CSR performance (Bauer 2015), and non-professional investors are affected by the relative performance of a firm's CSR (Elliott et al. 2014). Specifically, analyst reports of high CSR performance can induce positive affect (Elliott et al. 2014). This evidence that CSR is evaluated as positive implies that CSR can influence manager self-concept as discussed further below.

Corporate Social Responsibility, Manager Self-concept, and Vicarious Moral Licensing

Despite the positive effects of CSR, its effect on manager self-concept could have negative consequences.[3] Individuals prefer to view themselves as "good, coherent, unitary, [and] stable" (Steele 1988), and they often behave in ways to maintain a consistent self-concept. Sometimes, however, when individuals have been able to affirm their self-concepts, this affirmation liberates them to behave in ways inconsistent with their self-concepts. This effect is known as "moral licensing" (Monin and Miller 2001). This moral licensing occurs when individuals' past actions give them a sense of having been "credentialed" as fitting a particular description, such as eco-friendly or egalitarian (affirming this aspect of their self-concepts). This credential, however, is distinct from the person's reputation; the credentialing occurs regardless of whether anyone besides the individual knows about the affirming past action.

A credentialed individual could behave inconsistently with the values established by her past actions (e.g. eco-friendliness, egalitarianism). Her self-concept in that domain is already affirmed, so she does not need to affirm it again through her next action, but rather feels licensed to behave contrary to her usual values. For example, participants who had the opportunity to disagree with sexist statements were more likely to recommend a man instead of a woman for a stereotypically male job than participants that did not have that opportunity (Monin and Miller 2001). Also, participants who had the opportunity to recommend a member of a minority group for a job were more likely

[3] Note that CSR activities are not uniformly considered positive. Milton Friedman stated that "there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits" and considered CSR a tax levied by corporations upon their shareholders when it should have been levied by governments on its citizens (Friedman 1970). Whether companies should engage in CSR, however, is beyond the scope of this paper. My goal is to provide evidence to allow us to better understand the consequences of its reporting.

to favor a member of a majority group for a job traditionally dominated by the majority group than participants who did not have that opportunity (Monin and Miller 2001). Their past actions having established their credentials as good people, those individuals are more likely to make choices that could be interpreted negatively (e.g. wasteful, prejudiced) than people who have not credentialed themselves. This moral licensing effect even extends to actions that actually are, rather than just appear to be, contrary to the person's good self-concept. In a laboratory experiment, participants cheated and stole more to increase their payoff when they selected eco-friendly products for potential purchase than participants who selected from eco-neutral products (Mazar and Zhong 2010). In an accounting setting, auditors waive more audit adjustments to management estimates when clients include a supplemental disclosure about the uncertainty of the estimate, which is attributed to a moral licensing effect (Griffin 2014).

Interestingly, this credentialing does not have to derive from an individual's own past actions. Similarly to vicarious self-perception theory, which posits that people can infer their own attributes and preferences by observing the actions and choices of other people with whom they closely identify, moral licensing can occur vicariously as well (Goldstein and Cialdini 2007, Kouchaki 2011). The past actions of a group with which a person identifies can act as a source of moral credentials and prompt moral licensing. For example, in an extension of Monin and Miller's foundational moral licensing experiment (2001), credentialed undergraduates participating in a laboratory experiment were more likely to assess a job in a work environment unfriendly toward minorities as more suitable for a White candidate than an African-American candidate (Kouchaki 2011). Instead of being credentialed by a past action that *they* performed, however, they were credentialed through their school affiliation (Kouchaki 2011). Reading a study that stated that students at their university were found to be more moral than students at other universities credentialed participants and caused the moral licensing effect (Kouchaki 2011). Also, this vicarious moral licensing effect strengthened as participants' identification with their school, the "moral" group, increased (Kouchaki 2011). Since employees identify with their organizations, I expect that the good actions of their companies could license them to make self-serving decisions like managing earnings to meet a bonus target.

Mandatory v. Voluntary CSR Reporting and Organizational Attributions

This vicarious moral licensing effect, however, is contingent on the managers giving the organization "credit" for the CSR report. Individuals can infer their traits and preferences by observing their own behavior (Bem 1972), and moral licensing through their self-concepts occurs because they use their past actions as evidence that they are good people. When they have an external, rather than an internal, attribution for their good past actions, such as having their volunteer service be the result of a court order rather than their own altruism, they do not exhibit moral licensing behavior because their self-concepts have not been affirmed (Khan and Dhar 2006). Although people tend to overattribute the causes of behavior they witness by others to the internal characteristics and motivations of the observed others rather than to external, situational causes (Jones and Nisbett 1972), they will also discount the weight of those internal characteristics as causes when situational causes are available as competing explanations (Kelley 1973). Because vicarious moral licensing works by affirming people's self-concepts through the actions of the group, it should only occur when the individuals can attribute their group's actions to the group's characteristics. Accordingly, I expect that managers will not exhibit licensing behavior when their organizations' CSR reports are mandated rather than voluntarily issued. This motivates my first hypothesis.

H1: Voluntarily provided CSR reports will increase moral licensing behavior among managers relative to when CSR reports are provided in compliance with a mandate.

The fact that group identification is necessary for moral licensing to occur vicariously and the result that an increase in group identification corresponded to an increase in moral licensing among college students (Kouchaki 2011) imply that the moral licensing behavior of managers will increase as organizational identification increases. However, we think of good actions by the company as indicative of strong, positive tone-at-the-top, and we expect that these positive corporate actions will engender similar behavior among employees. Since strong organizational identification can prompt greater cooperative and pro-company behavior among employees (O'Reilly and Chatman 1986), it is possible that voluntary disclosure of CSR will be perceived as an example of good behavior for the employees to follow. If the employees are strongly identified with the organization, they could conform to this behavior rather than being licensed to misreport. This possible differential behavior based on the strength of organizational identification extends theory from the self-concept literature that demonstrates that central (i.e. strong) elements of the self-concept are less malleable and therefore less susceptible to moral licensing effects (Sedikides 1995, Mazar et al. 2008). This theory implies that the moral licensing behavior of managers will be mitigated as organizational identification increases. Since the direction of the effect of organizational identification is not clear, I state my second hypothesis in the null form.

H2: The effect of a requirement to report on CSR activities does *not* depend on employee organizational identification.

III. Method

Overview

To test my predictions, I use a between-subjects quasi-experiment in which one independent variable is manipulated and the other is measured. I manipulate whether CSR disclosure is mandatory or voluntary and measure participants' organizational identification.[4] Participants were asked to assume the role of a division manager for a large company that included reviewing some materials that the company intended to disclose to the public, answering questions about those materials as part of their review, and then making a financial reporting decision that would affect their payoffs as well as the payoffs of others. This financial reporting decision is the dependent measure and is described in more detail below.

Participants

I collected data from 174 participants through Amazon's Mechanical Turk platform using Qualtrics survey software.[5] Mechanical Turk is an online labor market where individuals across the world can sign up to perform "Human Intelligence Tasks" ("HITs") for a small fee. HITs vary widely from transcribing audio files to uploading photos. Mechanical Turk participants are used in accounting experiments as proxies for

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[4] I do not include a condition without CSR, because this condition would include less information in the experimental materials, which would introduce the possibility that any differences between conditions could be due to differences in the information provided rather than the CSR reporting requirement.
[5] A meta-analysis of 91 moral licensing studies suggests that the subtlety of this effect requires a large number of participants to detect (Blanken et al. 2015).

investors (e.g. Rennekamp 2012), subordinates (e.g. Christ and Vance 2015), and managers (e.g. Johnson et al. 2015). Additionally, Farrell et al. (2014) replicates three accounting experiments, which used students as subjects, on Mechanical Turk and show that the results are unchanged. The replication of the experiment on honesty in managerial reporting from Evans et al. (2001), which originally used MBA students, shows the appropriateness of a Mechanical Turk participant sample. This participant pool is preferable for my study because MTurkers are typically older, more experienced, and often otherwise employed than American student populations (Burhmester et al. 2011). Because I am interested in the effect of organizational identification on financial misreporting, the broader experience within the MTurk population improves the generalizability of my findings to employee behavior.

Only workers who were located in the U.S., who had at least 10,000 completed HITs, and who had at least a 95% approval rating on their HIT work from other Mechanical Turk requesters could participate in my study. Before beginning the task, prospective participants answered a few screening questions, and only those that reported that they were native English speakers with at least a bachelor's degree were permitted to complete the experiment. Finally, they had to answer all attention, manipulation, and comprehension checks correctly in order to be paid and for their data to be collected and included in the analysis.

Experimental Procedures

After completing the screening questions and giving their informed consent, participants were assigned the role of division manager of a large company. They reviewed two screens of financial accounting highlights and answered attention check questions on the material. Then, they read the mandatory or voluntary CSR report manipulation language, reviewed two screens of CSR highlights, and answered attention check questions and the manipulation check. These company materials were adapted from UPS's annual report and sustainability report (United Parcel Service of America, Inc. 2015, 2014). Next, participants either completed items measuring their perceptions of and identification with the company or the financial reporting task. The order of these items was counterbalanced among participants.[6] They then answered questions about their self-perceptions, their mood, and their opinions about the ethics of the reporting choice. The latter are from the Johnson et al. (2015) instrument. Finally, they answered questions about their familiarity with UPS, interest in CSR-related issues, and additional demographic information.

Please see the appendix for the instrument.

Manipulation of Type of CSR Disclosure

Participants were randomly assigned to one of two disclosure conditions, the Voluntary CSR Report condition or the Mandatory CSR Report condition. To manipulate the managerial discretion in providing the report, I use the following language prior to displaying the CSR reporting information.

In the Voluntary CSR Report condition:

> "The company ***voluntarily*** reports on its corporate social responsibility initiatives and progress. This report is provided to shareholders, stakeholders, and the remainder of the public via the company's website."

[6] The order of the measures did not affect the results, so it is not discussed further.

In the Mandatory CSR Report condition:

> "The company is ***required*** to report on its corporate social responsibility initiatives and progress by the governing organization of the stock exchange that lists its shares. This report is also provided to shareholders, stakeholders, and the remainder of the public via the company's website. "

Organizational Identification Measure

Organizational identification was measured using a validated scale that I adapted from Mael and Ashforth (1992). A different adaptation of it has been used to measure auditor identification with their clients (Bamber and Iyer 2007). (See Figure 2 for the adapted scale.)

Financial Reporting Task

I adapted the financial reporting task from Johnson et al. (2015) in order to measure my dependent variable of vicarious moral licensing behavior. In this task, participants make a decision about what report to make to company stakeholders. Specifically, they select what probability to report that earnings will be high. They are told the following: 1) the true probability that earnings will be high is 20%, 2) the stakeholders do not know this probability but would benefit from knowing it, and 3) they can increase their personal payoff by reporting a probability higher than the true value. They have the opportunity to report a probability as high as 95%, and their payoff increases as the probability they report increases.

Participants also know, though, that other people, in the role of company stakeholders, receive the highest payoff when they report the true probability of 20% and that this payoff decreases as the reported probability of high earnings increases. (See

Figure 3 for the table of payoffs to the participants and the stakeholders for each possible probability report.) This probability choice does not just affect the allocation of payoffs between the division manager and the stakeholders; it also changes the total payoff that is allocated. When the managers report the true probability of 20%, the total payoff to the manager participant and the shareholder participants is $7.80. When they report the highest probability of 95%, however, the total payoff is $3.30. Therefore, when managers behave selfishly by selecting higher probabilities to report, they not only reallocate the payoff from the stakeholders to themselves, but they also reduce the total payoff amount, creating a deadweight social loss within the experiment.[7] This reporting task is analogous to many financial reporting situations in the real world. For example, managers often exercise judgment over the amount of an estimate to report, like loss reserves for insurance companies, and they may have the opportunity to behave selfishly by reporting a more favorable estimate to meet an earnings target and secure their bonus to the detriment of current and potential investors who may overvalue the company as a result.

IV. Results

Vicarious Moral Licensing

The main dependent variable, vicarious moral licensing behavior, was measured through a reporting choice. Specifically, participants chose what probability of high earnings to report to company stakeholders. Participants could select probabilities between 20% and 95%, inclusive, in 5% intervals for a total of sixteen possible reporting choices. (See Figure 3 for the pay-off matrix.) Since the true probability was 20%, that is

[7] Stakeholders were paid through a separate Mechanical Turk HIT according to the decisions made by these participants. No deception was used in this experiment.

the most honest and least selfish report. The least honest and most selfish report is 95%. Higher values, therefore, represent more self-interested behavior by the participants and indicate moral licensing behavior. The reporting decision ranges from twenty to ninety-five, and its mean (standard deviation) is 53.10 (30.66). Table 1, Panel A, presents descriptive statistics. The mean (standard deviation) report is 56.52 (31.39) in the voluntary reporting condition and 50.26 (29.90) in the mandatory reporting condition. This pattern is consistent with hypothesis 1, which states that when CSR performance is high, voluntarily provided CSR reports will increase moral licensing behavior among managers relative to when CSR reports are provided in compliance with a mandate. Age, sex and familiarity with UPS are included in the model as covariates. Table 1, Panel B, presents the results of this ANCOVA, which marginally support H1 ($F_{1,169} = 2.54$, $p=0.056$).[8, 9]

Vicarious Moral Licensing and Organizational Identification

Organizational identification was measured using a six item scale adapted from Mael and Ashforth (1992). (See Figure 2 for the scale used.) Participants answered each item on a seven point Likert scale, and I use the average of the six responses as my measure of organizational identification. The measure ranges from one to seven, where higher values indicate stronger organizational identification, and its mean (standard deviation) is 4.25 (1.21).[10] In order to test my second hypothesis, which states that the effect of voluntary disclosure on moral licensing would not depend on organizational identification, I add organizational identification and its interaction with the requirement

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[8] Reported p-values are one-tailed, unless otherwise noted.
[9] A two-sample t-test also marginally supports H1 ($p = 0.090$, $df = 172$).
[10] This measure of organizational identification was not affected by the CSR disclosure manipulation ($t = 0.37$, $p=0.542$).

to report on CSR to the ANCOVA model. Table 2 reports the results of this ANCOVA. The null hypothesis is rejected ($F_{1,167}$ = 5.68, p=0.018, two-tailed), which means that the effect of the CSR reporting requirement on moral licensing *does* depend on organizational identification. When the company reports on CSR voluntarily, strong organizational identification mitigates the moral licensing effect.

In order to facilitate the description of the effects of relatively weak and relatively strong organizational identification on the effect of the CSR disclosure requirement, I split the organizational identification measure by its median. Table 3, Panel A presents descriptive statistics. The mean (standard deviation) report is 54.60 (30.65) among weakly identified participants and 51.57 (30.77) among strongly identified participants. An ANCOVA model using the median split shows that the interaction effect of CSR reporting condition and organizational identification is significant ($F_{1,167}$ = 5.59, p=0.019, two-tailed).[11] I present the graphed cell means in Figure 1. Table 3, Panel B, presents the results of the ANCOVA model. This significant interaction reflects that voluntary CSR reporting influences misreporting when organizational identification is weak but not when it is strong. I estimate separate models for the voluntary and mandatory CSR disclosure conditions. When the company voluntarily discloses, the mean (standard deviation) report is 64.32 (30.53) when organizational identification is relatively weak and 49.64 (30.87) when organizational identification is relatively strong. This difference is statistically significant ($F_{1,78}$ = 4.07, p=0.047 two-tailed).[12] On the other hand, the

[11] The reported F statistic results from an ANCOVA that includes age, sex, and familiarity with UPS as covariates. Because the value of the median (4.33) is lower than the mean of the scale (4.50), the thirteen observations with values equal to the median are included in the "weak" organizational identification classification. The interaction inferences are unchanged, though statistically weaker, if these observations are dropped from the analysis ($F_{1,160}$ = 3.13, p=0.079, two-tailed).
[12] Age, sex, and familiarity with UPS are included as covariates for these ANCOVA models. Older participants, female participants, and participants more familiar with UPS make more honest reporting

difference between the means in the mandatory CSR reporting condition is not statistically significant ($F_{1,94}$ = 1.64, p=0.203 two-tailed).

The higher misreporting among weakly identified participants in the voluntary CSR reporting condition drives these results. When organizational identification is weak, the CSR reporting requirement affects the degree of misreporting. I estimated separate models for weakly identified and strongly identified participants. Weakly identified individuals misreport more when CSR disclosure is voluntary than when it is mandatory ($F_{1,87}$ = 7.24, p=0.009 two-tailed). The difference between the mean reports when participants strongly identify with their organizations, however, is not statistically significant ($F_{1,85}$ = 0.30, p=0.587 two-tailed). Additionally, the mean report of weakly identified participants in the mandatory reporting condition (53.41) is not statistically different from the mean report of strongly identified participants in the voluntary condition (64.32) ($F_{1,87}$ = 1.95, p=0.166 two-tailed).

Supplemental Analyses

These results support my hypothesis that voluntary CSR disclosure causes vicarious moral licensing behavior, but they do not provide a direct test of the theoretical mechanism, the affirmation of the individual's self-concept due to the good action of the company. Attributes of the self-concept are difficult to capture and measuring changes in them are even more difficult (Rosenberg 1979). Because participants could affect their self-concepts through their decisions in moral licensing dependent measures, evidence supporting the involvement of the self-concept in moral licensing behavior is indirect and requires additional experiments to isolate it (e.g., Kouchaki 2011, Khan and Dhar 2006). I

decisions on average relative to younger participants, male participants, and participants less familiar with UPS.

did, however, collect measures on participant self-concept that have been used or inspired by measures in the self-concept and moral licensing literature (Kadous et al. 2014, Mazar et al. 2008, and Aquino and Reed 2002).

I collected four measures of self-perceptions that, in analysis, load on one factor. The first measure, from Kadous et al. 2014, is “How do you feel about yourself right now?”, answered on a nine-point scale from “Extremely negatively” to “Extremely positively.” “I consider myself a good person,” from Mazar et al. (2008) was elicited on a seven point Likert scale from “strongly disagree” to “strongly agree.” Also from Mazar et al. (2008), “Compared to yesterday, how moral are you today?” was measured on an eleven point scale from negative five (“Much worse”) to positive five (“Much better”). The fourth measure, from Johnson et al. 2015, was also on an eleven point scale from negative five to positive five and asked “How would you describe your mood right now?” with endpoints of “Extremely bad” and “Extremely good.” The CSR reporting requirement manipulation did not affect this self factor ($p = 0.891$, two-tailed), but how participants perceived themselves did influence their reporting decisions and vice versa.

While participants were willing to misreport in order to increase their own pay-off at the expense of others, they did report less favorable descriptions of themselves (e.g. as in a worse mood or as a worse person) than those that made more honest, less self-serving reporting choices ($F_{1,168} = 11.01$, $p=0.001$ two-tailed). See Table 4, Panel A for the results of this ANCOVA.[13] As discussed in the methods section, I counterbalanced whether the participants completed the reporting decision dependent measure or the perception measures first. Although there is not a main effect of the order of these

[13] Unlike the other ANCOVA models, gender and familiarity with UPS are not included in this analysis. Gender is not statistically significant, and familiarity with UPS is correlated with the self factor.

measures on the reporting choice ($F_{1,168} = 0.61$, $p=0.437$ two-tailed), its interaction with the self factor is statistically significant ($F_{1,168} = 9.15$, $p=0.003$ two-tailed). When the self-perception measures preceded the reporting decision, participants who rate themselves more favorably (e.g., as in a better mood or as a better person) select a more honest, less self-serving reporting decision to a greater degree than do those who complete the reporting decision before the self-perceptions measures. The relationship between the self factor and the report is consistent with the participants' answers to open-ended questions about how or why they made their reporting choice. Responses that reflected a judgment about the person's character were common and ranged from explanations like "I wanted to be honest. Knowing that 20% was the real true number I knew that reporting anything else would be dishonest and I simply couldn't bring myself to do that" to "greed."

As the results from those self measures provide support for the operation of moral licensing through the self-concept, data from another self measure is consistent with the theory that, specifically, this licensing exploits the malleability of peripheral elements of the self-concept rather than central ones. The internalization subset of the importance of moral identity scale has been used as a measure of individual moral self-concept (Aquino and Reed 2002, Kouchaki 2011). To keep this experiment a reasonable length, I condensed this scale into one item: "Being a moral person is not important to me." This was measured on a seven point Likert scale from "strongly disagree" to "strongly agree" and reverse-coded so that higher values of this measure indicate greater importance of moral identity to the participant. Consistent with the importance of moral identity reflecting a trait characteristic rather than a situational variable, it is not affected by the CSR reporting requirement manipulation ($p = 0.6161$, two-tailed). These data, however, do provide marginal evidence that the importance of moral identity moderates the moral licensing effect, which aligns with the theory that moral licensing operates through the peripheral, rather than central, aspects of the self-concept ($F_{1,168} = 2.80$, $p=0.096$ two-tailed).[14] The more important participants reported their moral identity, the more honestly they behaved. Table 4, Panel B, presents these results.

V. Conclusion

In this study, I examine whether the requirement to report on CSR can have the unintended effect of causing managers to make decisions that favor their self-interest to the detriment of other company stakeholders. Holding the level of CSR performance constant, I find marginal support that people select more aggressive earnings reports when the firm voluntarily provides a CSR report than when such a report is issued in compliance with a mandate. This misreporting is mitigated, however, when individuals strongly identify with their organization or when their moral identity is important to them. These findings have interesting implications about the effects of voluntary disclosure and organizational actions on employee behavior.

A counterintuitive implication is that voluntary CSR disclosure may cause managers to make financial reporting decisions that benefit themselves at the expense of other company stakeholders. This result runs counter to the intuition that CSR, because the “R” stands for “responsibility,” is associated with good actions like reducing carbon emissions or implementing fair labor practices and is especially relevant to companies in the United States, since relatively few CSR disclosures are mandatory.[15] This finding,

[14] Similarly to the expectations about the other self-measures, this expectation was not explicitly hypothesized, because the inclusion of the moral licensing dependent variable could affect these measures.
[15] Classifying the general impression of CSR as positive is not intended to claim that companies should or should not engage in such activities.

therefore, would be useful to stakeholders of companies that voluntarily disclose about their CSR activities. Seemingly inconsistent with the literature on voluntary disclosure as a credible signal of more honest management, this moral licensing effect shows that sometimes these good behaviors, like voluntary CSR reporting, can cause managers to act against the interest of stakeholders rather than for them. Although this study does not negate the possibility that voluntary CSR reports could signal higher quality management, it does serve to caution stakeholders to continue to scrutinize management decisions rather than assume those decisions are in their best interest. This result also has implications for policymakers as well because it shows a surprising benefit to regulation. Since participants in the mandatory CSR reporting condition misreported less than those in the voluntary CSR reporting condition when they were weakly identified with the organization, this implies a possible advantage of requiring CSR reporting.[16]

Interestingly, strong organizational identification reduced the financial misreporting. Although this moderating effect is consistent with the organizational behavior literature, which documents many benefits of organizational identification including increased cooperation and helpful behavior toward the company, it is inconsistent with the exacerbating effect of group identification found in the psychology literature (Kouchaki 2011). This study, therefore, extends the psychology literature by demonstrating that the effect of group identification on moral licensing behavior differs when the group in question is the individual's employing organization rather than a demographic group like ethnicity or undergraduate degree. This mitigating effect of strong organizational identification has useful implications for corporate executives, who

[16] Although this study does show a potential benefit to mandatory CSR reporting, it does not examine the costs, or other benefits, of such a policy and, therefore, does not contain a policy recommendation.

can combat undesirable moral licensing behavior by employees through policies and activities that strengthen employee identification with the company. The evidence in this study contributes to the literature in accounting and organizational behavior that shows the benefits of focusing on the employees' work environment in addition to their compensation schemes.

Despite the mitigating effect of strong organizational identification on moral licensing behavior, the presence of the moral licensing effect shows that corporations are among the organizations that can vicariously induce this behavior in their employees. Even if the firm is defined impersonally as a set of contracts among owners and agents (e.g., Jensen and Meckling 1976), these results show that individuals interpret organizations to have intentions and characteristics that can reflect upon and affirm their self-concepts through association and weak identification. This result contributes to the vicarious moral licensing literature by extending that theory to the corporate setting.

This study also extends the accounting research on voluntary disclosure and on CSR. It contributes to the research on CSR by showing that an attribute of the CSR *report*, independent from the CSR *activities* that are reported, can affect judgment and decision-making. Examining this particular attribute, whether the report was issued voluntarily or in compliance with a mandate, also contributes to the accounting literature by extending the work on the effects of voluntary disclosure into the CSR reporting setting. The CSR reporting setting is distinct from the more widely examined financial disclosure, and even the more general nonfinancial disclosure setting, which warrants testing whether those voluntary disclosure inferences extend to CSR disclosures. For instance, despite the prevalence of CSR reporting, the variety of the form and content of these reports suggests that CSR reporting is less standardized than the useful earnings guidance setting. Whether this lack of standardization affects the implications of voluntary disclosure is an empirical question, and this study takes a step toward answering it.

This paper has several limitations. A strength and limitation of it is that an online experiment is used to investigate the research question rather than a field study. The drawback of the online experiment is the loss of external generalizability from not measuring organizational identification among employees in a company setting. The benefit of this experimental method, however, is that it allows CSR performance and other firm and reporting characteristics to be held constant, isolating the effect of the CSR reporting requirement and extending the existing field studies on CSR and organizational identification. Another limitation of this paper is that it does not include a direct test of the proposed self-concept mechanism. Additional experiments could be conducted to address this.

Several interesting avenues for future research emerge from this study. While I use a financial misreporting setting to investigate whether voluntary CSR disclosure can cause moral licensing among employees, other accounting settings, like bonus allocations or uncertain tax positions, could be interesting to examine as well. Evidence from psychology shows that moral licensing behavior is not restricted to the domain of the credentialing action; shopping for green products licensed individuals to steal money (Mazar and Zhong 2010). Given this evidence that moral licensing behavior can manifest in a different domain from the action that caused the licensing, I would like to know whether voluntary CSR reporting can affect non-disclosure related accounting domains like bonus allocations. The vicarious nature of the voluntary CSR disclosures might restrict its credentialing effect to disclosure-related domains, since existing evidence of moral licensing domain-switching is limited to direct settings where the individuals, rather than an affiliated group or organization, perform the act that credentials them. Additionally, it would be interesting to investigate whether voluntary CSR reporting causes moral licensing among non-U.S. populations. In cultures with different attitudes about CSR, does this effect still hold? Similarly, would the presence of a descriptive norm erode the credentialing power of voluntary CSR disclosure? The disclosure might not be perceived as voluntary by company employees if the firm's competitors are all "voluntarily" disclosing as well. Even though the company is still choosing to disclose, the fact that this choice could be seen as conformity with an implied rule might weaken the power of this disclosure choice to reflect well upon the company and, by extension, its employees.

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Appendix: Instrument for the Experiment

Please note: Text in [brackets] indicates differences between experimental conditions.
I conducted the experiment online, so the format of the instrument in this paper copy may not appear exactly the same as that displayed to the participants.

Preliminary Draft: Please do not cite or share without the author's permission.

Screening questions

Before beginning this study, please answer some demographic questions. Your answers will determine which parts of this study you participate in but will not affect your $1.50 payment.

What is your gender?

- Male
- Female

What is your age?

- 18 - 24
- 25 - 29
- 30 - 39
- 40 - 49
- 50 - 59
- 60 - 69
- 70+

What is the highest level of education you have completed?

- Elementary school
- High school or equivalent
- Vocational/technical school (2 year)
- Some college
- Bachelor's degree
- Master's degree
- Doctoral degree
- Professional degree (MD, JD, etc.)
- Other

What is your primary language?

- English
- Spanish
- Other

Emory University
Consent to be a Research Subject

Title: Employee Judgment Study

Principal Investigator: Melanie Millar, Ph.D. Student, Goizueta Business School, Emory University

Funding Source: Emory University Departmental Research Funds

Introduction
You are being asked to be in a research study. This form is designed to tell you everything you need to think about before you decide to consent (agree) to be in the study or not to be in the study. **It is entirely your choice. If you decide to take part, you can change your mind later on and withdraw from the research study.**

Before making your decision:

- Please carefully read this form or have it read to you
- Please ask questions about anything that is not clear

You can take a copy of this consent form, to keep. Feel free to take your time thinking about whether you would like to participate. By signing this form you will not give up any legal rights.

Study Overview
The purpose of this study is to examine how employees make judgments and decisions.

Procedures
This study involves reviewing information about a company's performance and making a financial reporting decision. Then, you will fill out information about the study and yourself. The study is expected to take no longer than one hour.

Risks and Discomforts
There is minimal foreseeable risk associated with this study other than loss of confidentiality of your study data. You have the right to decline to participate further at any time and for any reason.

Benefits
This study is not designed to benefit you directly. This study is designed to learn more about how individuals make judgments and decisions. The study results may be used to help others in the future.

Compensation
You will get $1.50 for beginning the study. You also have the chance to earn up to $3.00 based on your performance in the study. If you do not finish the study, you will keep the $1.50 for beginning the study, but forfeit any performance-based pay.

Confidentiality

Certain offices and people other than the researchers may look at study records. Government agencies and Emory employees overseeing proper study conduct may look at your study records. These offices include the Emory Institutional Review Board and the Emory Office of Research Compliance. Study funders may also look at your study records. Emory will keep any research records we create private to the extent we are required to do so by law. A study number rather than your name will be used on study records wherever possible. Your name and other facts that might point to you will not appear when we present this study or publish its results.

Study records can be opened by court order. They may also be produced in response to a subpoena or a request for production of documents.

Voluntary Participation and Withdrawal from the Study

You have the right to leave a study at any time without penalty. You may refuse to do any procedures you do not feel comfortable with, or answer any questions that you do not wish to answer. However, you will give up any bonus compensation if you do so. The information you provide in the study up to that point may still be used.

Contact Information

Contact Melanie Millar at mimilla@emory.edu:

- if you have any questions about this study or your part in it or
- if you have questions, concerns or complaints about the research

Contact the Emory Institutional Review Board at 404-712-0720 or 877-503-9797 or irb@emory.edu:

- if you have questions about your rights as a research participant.
- if you have questions, concerns or complaints about the research.
- You may also let the IRB know about your experience as a research participant through our Research Participant Survey at http://www.surveymonkey.com/s/6ZDMW75.

Consent

Please type AGREE in the text box below if you agree to be in this study. By doing so, you will not give up any of your legal rights. You may print or save a copy of this consent form to keep.

General instructions

Thank you for your participation.

Please help assure the validity of the study by working alone on each task and using only the materials provided in this study. **Please work through the materials provided, read all materials carefully before proceeding, and answer questions in the order asked.**

In order to verify that you understand the instructions, there will be a few basic comprehension questions throughout the study. You MUST answer these questions correctly in order to satisfy the requirements of the study.

Payment

In order to receive payment for participating in this study, you must do two things.

(1) You must complete the entire study (all tasks, as described below). At the end, you'll be provided with a unique Response ID, which you should write down.

(2) You must return to Mechanical Turk and enter your Response ID in order to officially complete the HIT.

What you'll be doing:

You'll complete a reporting task that involves reporting some financial information to others.
You'll answer some questions that will help with this research.

By participating in this study, you will receive no less than $1.50 and no more than $3.00. Your actual payment within that range will depend upon the decisions you make in the reporting task. Those decisions affect not just your payment but also affect the payments of other mTurkers who participate in the study.

Additional details on each task are provided below.

If you are ready to start, click the button below to proceed.

Introduction

During this study, you will put yourself in the role of division manager for a large company. In your role as division manager, you will review some materials that the company intends to disclose to the public. After you have reviewed the proposed reports, you will answer some questions about them in order to complete your review process.

You must answer these questions correctly to proceed through the study and to receive payment.

You will also make a decision that involves reporting some financial information to others. This decision will affect the amount of payment you receive for this study as well as the payment other mTurkers who participate in this study receive.

Finally, you will answer some general questions.

Company Overview

Assume you are a division manager at a large, publicly-traded package delivery company. This company makes deliveries in more than 200 countries and territories worldwide and has been in operation for more than 100 years.

You have worked for this company for seven years and plan to stay with the company for the foreseeable future.

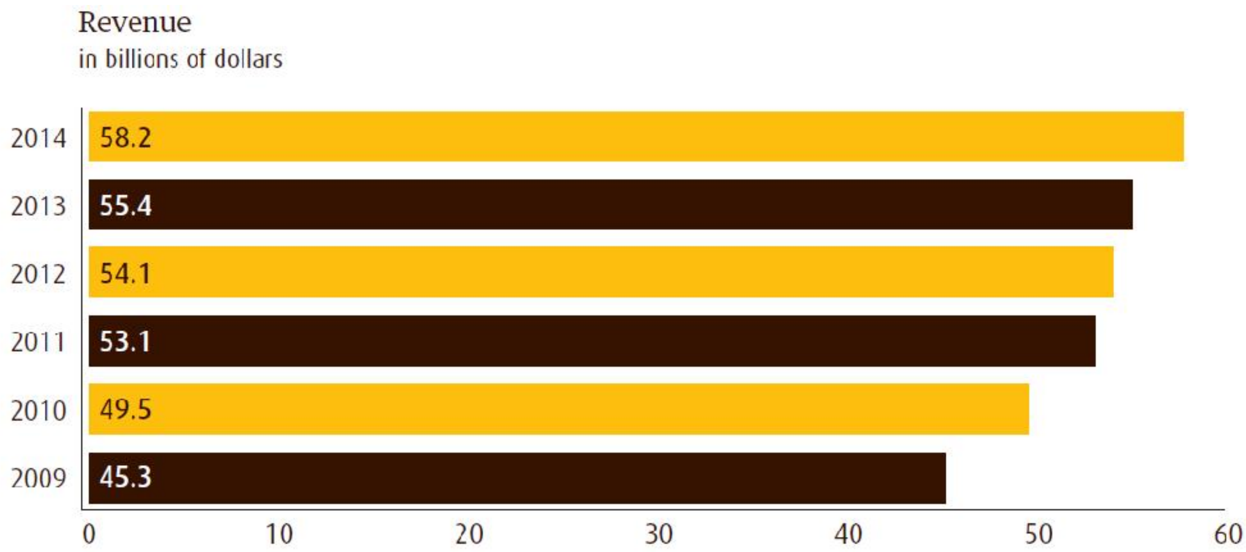
Review of Company Information

As part of the quarter closing process, you review the following materials about the company to be provided to company shareholders, other stakeholders, and the remainder of the public.

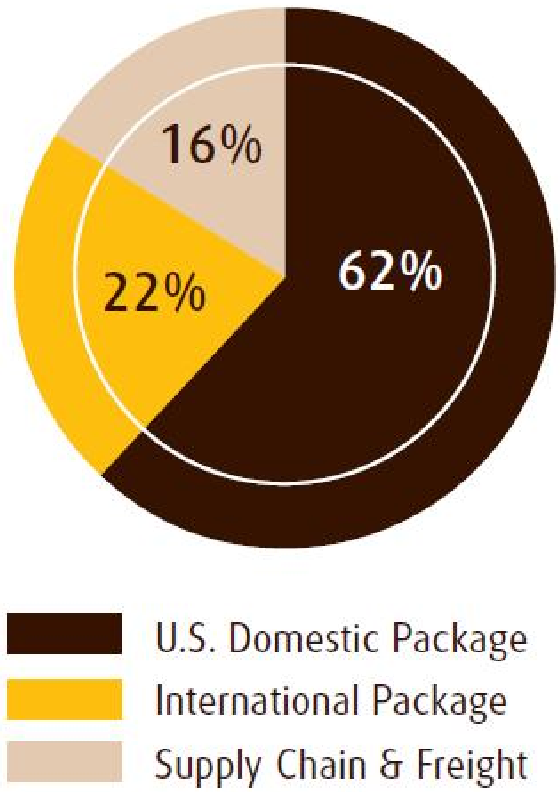
Financial Highlights

	2014	2013	2012
Revenue	$58,232	$55,438	$54,127
Operating expenses	53,264	48,404	52,784
Net income	3,032	4,372	807
Adjusted net income	4,389	4,336	4,389
Diluted earnings per share	3.28	4.61	0.83
Adjusted diluted earnings per share	4.75	4.57	4.53
Dividends declared per share	2.68	2.48	2.28
Assets	35,471	36,212	38,863
Long-term debt	9,864	10,824	11,089
Shareowners' equity	2,158	6,488	4,733
Capital expenditures	2,328	2,065	2,153
Cash and marketable securities	3,283	5,245	7,924

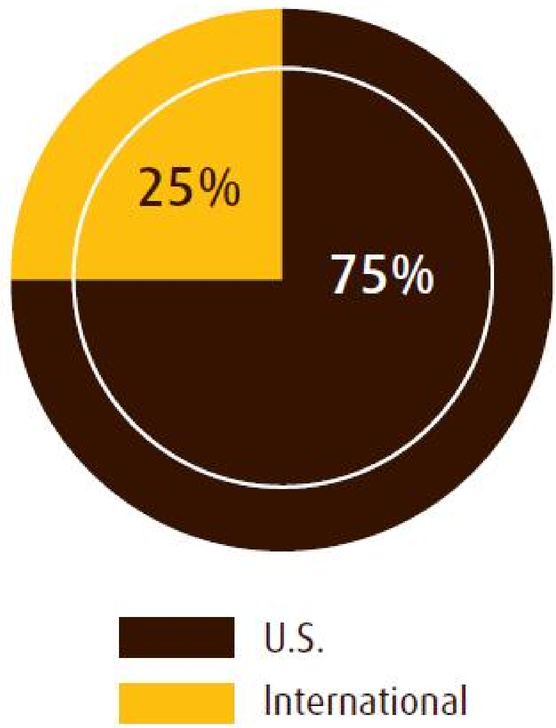
(in millions except for per-share amounts)

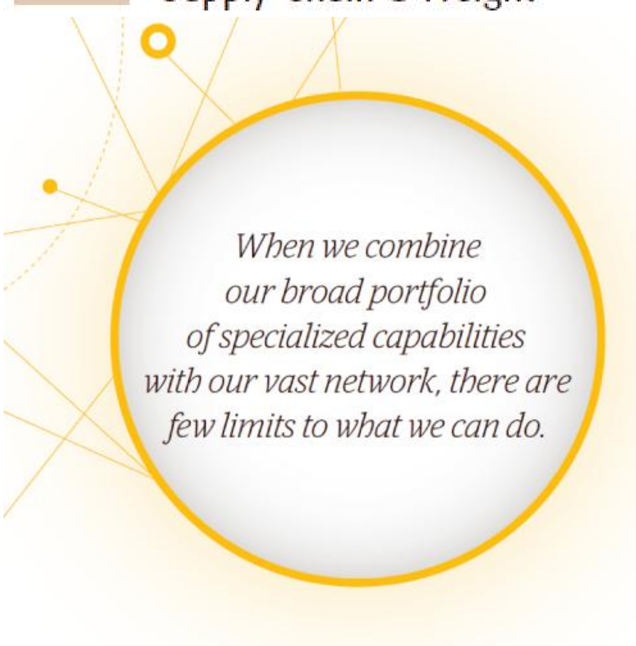

Revenue
in billions of dollars
2014
58.2
2013
55.4
2012
54.1
2011
53.1
2010
49.5
2009
45.3
0
10
20
30
40
50
60

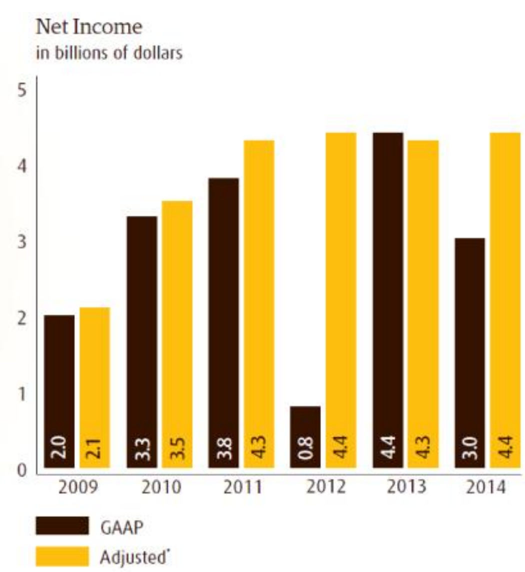
Revenue by Segment
percent



Revenue by Geography
percent







2015 and Beyond

We live in an era of great change, with new technologies disrupting not just many traditional business practices—but many elements of how we work, how we shop and how we live. During the past year, we demonstrated our ability to adapt to the dramatic changes in retail and other industries. 2015 will be a year in which we not only reinvest, but reexamine, reengineer and refine our operations to ensure we are more efficient and more profitable going forward.

Please answer the following questions to ensure you understand the provided materials.

We operate in the United States and internationally.

- ❍ True
- ❍ False

Our revenue decreased from 2009 to 2014.

- ❍ True
- ❍ False

You have worked for this company for seven years.

- ❍ True
- ❍ False

[**Note:** This page only appears in the voluntary CSR reporting condition.]

The company ***voluntarily*** reports on its corporate social responsibility initiatives and progress. This report is provided to shareholders, stakeholders, and the remainder of the public via the company's website.

Excerpts of the company's report are presented on the following two screens.

[**Note:** This page only appears in the mandatory CSR reporting condition.]

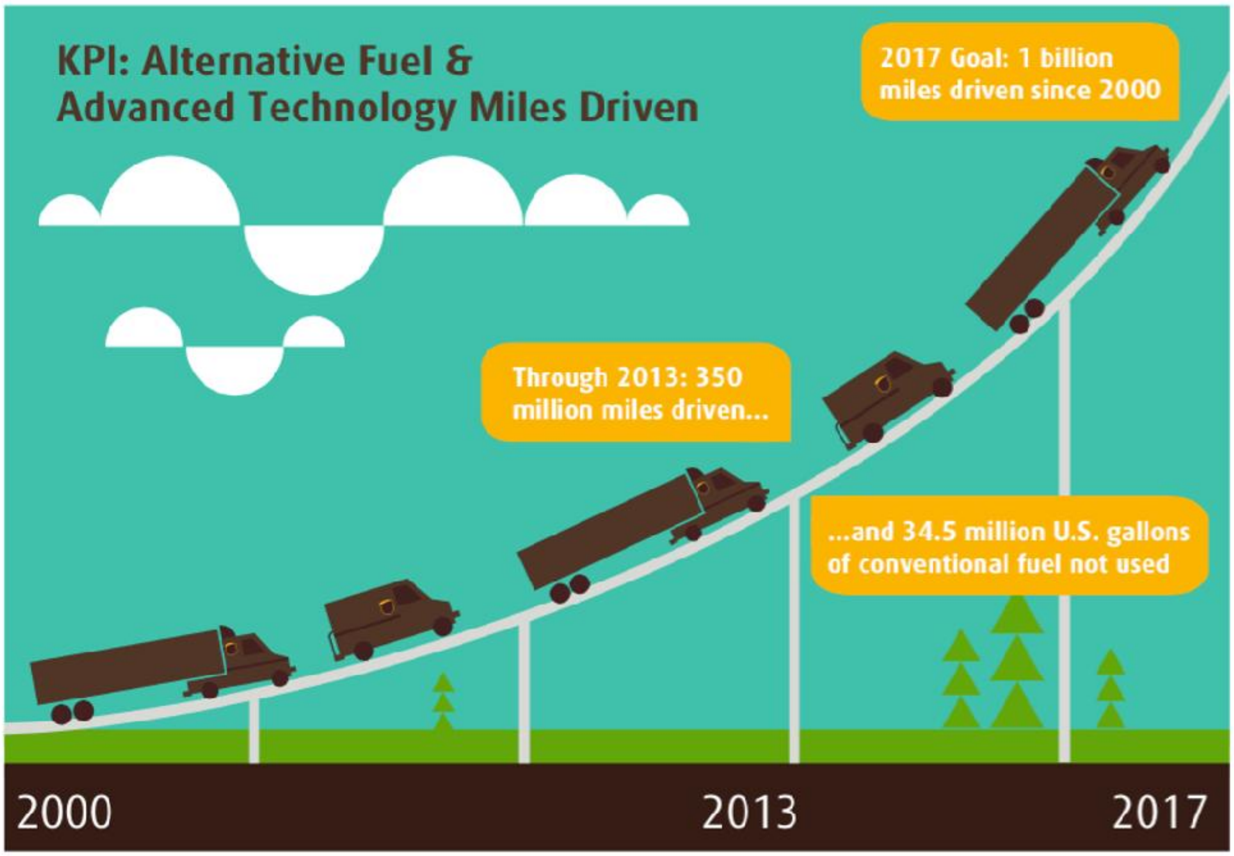
The company is ***required*** to report on its corporate social responsibility initiatives and progress by the governing organization of the stock exchange that lists its shares. This report is also provided to shareholders, stakeholders, and the remainder of the public via the company's website.

Excerpts of the company's report are presented on the following two screens.

Headlines from 2013

We're Doubling Our Goal for Transportation Carbon Intensity

Our Transportation Intensity Index measures our greenhouse gas (GHG) emissions from transportation relative to shipping volume, using 2007 results as the baseline for improvement. Our goal was a 10 percent annual reduction by the year 2016. We exceeded the goal in 2012 and 2013, so we're doubling it. We now intend to achieve a 20 percent reduction by 2020. In 2013, we achieved a 13.4 percent reduction from the baseline.



EMERGING MARKETS ORGANIZATION

Emerging market countries need more resource-efficient logistics options, and we established a new team of senior managers to deliver them in emerging markets worldwide.

LEADERSHIP IN SUSTAINABILITY REPORTING

We are one of the first major corporations in the United States to report at the "Comprehensive" level of the new G4 guidelines developed by the Global Reporting Initiative.

A TOP POSITION IN CARBON DISCLOSURE

For the third year in a row, we achieved a top position in CDP's Global 500 Climate Disclosure Leadership Index (CDLI).

Please answer the following questions to ensure you understand the provided materials.

We decreased our greenhouse gas emissions relative to shipping volume in 2013.

- ❍ True
- ❍ False

We have never been included in the Carbon Disclosure Project's Global 500 Climate Disclosure Leadership Index.

- ❍ True
- ❍ False

The company was required to report on its corporate social responsibility initiatives and progress.

- ❍ True
- ❍ False

Reporting Task

Now you will complete the reporting task as a division manager at the company. The company's earnings for the next period will either be low or high. The probability that they will be **high** is 20%.

You know this probability, but the company's stakeholders (i.e., those with a vested interest in the company) do not. They only know that there is some positive probability that earnings will be high in the next period. Because the stakeholders benefit by knowing the true probability that the next period's earnings will be high, they have you report this probability to them each period.

The greater the probability of high earnings that you report, the greater your payoff. However, the company's stakeholders receive the highest payoff when you report the **true** probability of high earnings, that is, when you report a 20% probability of high earnings for the next period.

You can report the true probability of 20% or you can report a higher probability (up to 95%). The table below shows how the probability that you report to the stakeholders affects your payoff, their payoff, and the total payoff to the both of you:

If you report that the probability of high earnings is:	**You will receive a payoff of:**	**The stakeholders will share a payoff of:**	**Total Payoff to you and the stakeholders:**
20% (the *true probability)*	$1.50	$6.30	$7.80
25%	$1.60	$5.90	$7.50
30%	$1.70	$5.50	$7.20
35%	$1.80	$5.10	$6.90
40%	$1.90	$4.70	$6.60
45%	$2.00	$4.30	$6.30
50%	$2.10	$3.90	$6.00
55%	$2.20	$3.50	$5.70
60%	$2.30	$3.10	$5.40
65%	$2.40	$2.70	$5.10
70%	$2.50	$2.30	$4.80
75%	$2.60	$1.90	$4.50
80%	$2.70	$1.50	$4.20
85%	$2.80	$1.10	$3.90
90%	$2.90	$0.70	$3.60
95%	$3.00	$0.30	$3.30

The payoffs shown above are in U.S. dollars. Your reporting decision will influence the payoff of **several** randomly selected mTurkers, who will share the "stakeholders" payoff described above.

Stakeholders will complete a HIT that consists of receiving your report, answering some questions, and sharing the payoff that results from your reporting decision. Stakeholders will not know the **true** probability of high earnings but will observe the probability of high earnings that you report.

Please answer the following two questions to ensure you understand the provided materials. Then proceed to the reporting decision.

Select the response that correctly completes this sentence: The true probability that earnings will be high next period is __________ .

- ❍ 10%
- ❍ 20%
- ❍ 25%
- ❍ 50%
- ❍ 80%

Please indicate whether the following statement is true or false: If I report a probability of high earnings greater than the true probability, I will receive a higher payoff and the stakeholders will receive a lower payoff.

- ❍ True
- ❍ False

When you are ready to make your reporting decision, please click the button below.

You will still see all of the reporting task information from the previous screens.

Reporting Task

Now you will complete the reporting task as a division manager at the company. The company's earnings for the next period will either be low or high. The probability that they will be **high** is 20%.

You know this probability, but the company's stakeholders (i.e., those with a vested interest in the company) do not. They only know that there is some positive probability that earnings will be high in the next period. Because the stakeholders benefit by knowing the true probability that the next period's earnings will be high, they have you report this probability to them each period.

The greater the probability of high earnings that you report, the greater your payoff. However, the company's stakeholders receive the highest payoff when you report the **true** probability of high earnings, that is, when you report a 20% probability of high earnings for the next period.

You can report the true probability of 20% or you can report a higher probability (up to 95%). The table below shows how the probability that you report to the stakeholders affects your payoff, their payoff, and the total payoff to the both of you:

If you report that the probability of high earnings is:	**You will receive a payoff of:**	**The stakeholders will share a payoff of:**	**Total Payoff to you and the stakeholders:**
20% (the *true probability)*	$1.50	$6.30	$7.80
25%	$1.60	$5.90	$7.50
30%	$1.70	$5.50	$7.20
35%	$1.80	$5.10	$6.90
40%	$1.90	$4.70	$6.60
45%	$2.00	$4.30	$6.30
50%	$2.10	$3.90	$6.00
55%	$2.20	$3.50	$5.70
60%	$2.30	$3.10	$5.40
65%	$2.40	$2.70	$5.10
70%	$2.50	$2.30	$4.80
75%	$2.60	$1.90	$4.50
80%	$2.70	$1.50	$4.20
85%	$2.80	$1.10	$3.90
90%	$2.90	$0.70	$3.60
95%	$3.00	$0.30	$3.30

The payoffs shown above are in U.S. dollars. Your reporting decision will influence the payoff of **several** randomly selected mTurkers, who will share the “stakeholders” payoff described above.

Stakeholders will complete a HIT that consists of receiving your report, answering some questions, and sharing the payoff that results from your reporting decision. Stakeholders will not know the **true** probability of high earnings but will observe the probability of high earnings that you report.

Using the choices below, please complete the following report to the stakeholders and then click the button below to send it to them.

Dear Stakeholders:
The probability that earnings will be high next period is:

20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%

Please indicate the extent you agree or disagree with the following statements about the company.

The company cares about the environment.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

The company is not a responsible corporate citizen.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

The company is more concerned about its impact on the environment than other companies.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

The company believes helping others is an important priority.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

The company only cares about making money.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

This is a good company.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

This company is better than other companies.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

I would be upset if my friend or family member worked for this company.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

The company is run by good people.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

I would not be very interested in what others think about the company.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

If someone criticized the company, it would feel like a personal insult.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

If I were to talk about this company, I would usually say 'we' rather than 'they'.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

This company's successes would be my successes.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

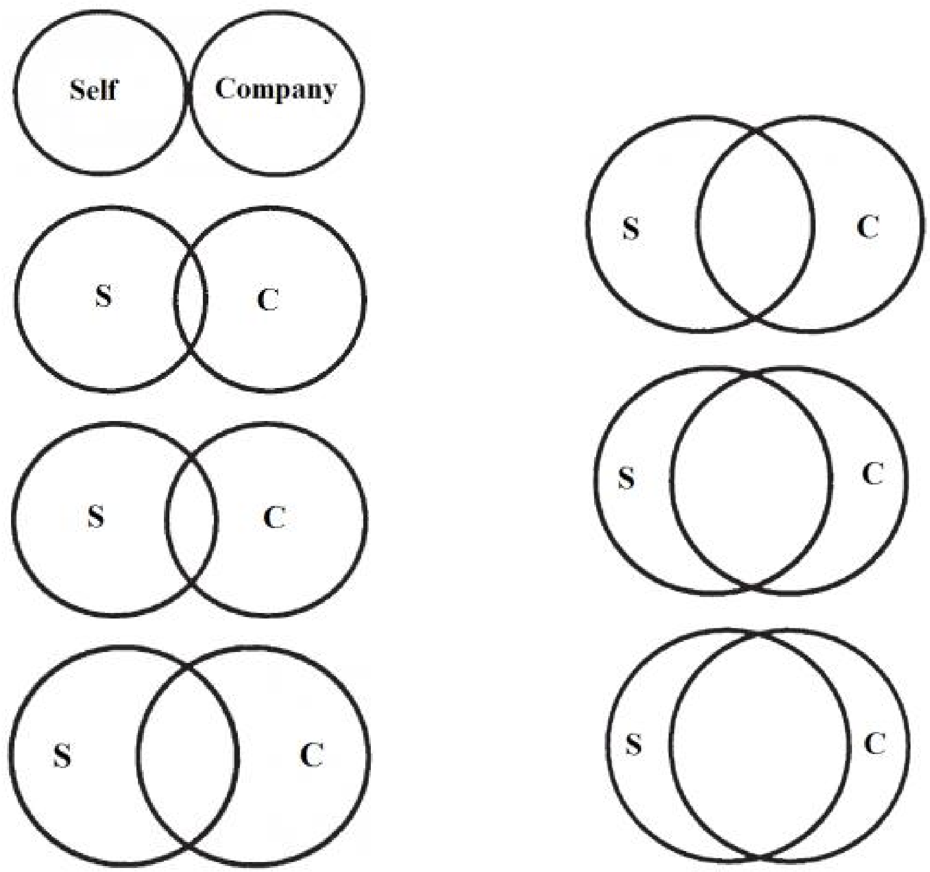
If someone praised this company, it would feel like a personal compliment.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

If a story in the media criticized the company, I would feel embarrassed.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Somewhat Disagree
- ❍ Neither Agree nor Disagree
- ❍ Somewhat Agree
- ❍ Agree
- ❍ Strongly Agree

Select the picture below that best represents what you think your level of identification with the company would be. (S = self, C = company)



How do you feel about yourself right now?

- ❍ Extremely negatively -4
- ❍ -3
- ❍ -2
- ❍ -1
- ❍ Neutral 0
- ❍ 1
- ❍ 2
- ❍ 3
- ❍ Extremely positively 4

I consider myself a good person.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

Compared to yesterday, how moral are you today?

- ❍ Much worse -5
- ❍ -4
- ❍ -3
- ❍ -2
- ❍ -1
- ❍ 0
- ❍ 1
- ❍ 2
- ❍ 3
- ❍ 4
- ❍ Much better 5

Being a moral person is not important to me.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat Agree
- Agree
- Strongly Agree

How would you describe your mood right now?

- ❍ Extremely bad -5
- ❍ -4
- ❍ -3
- ❍ -2
- ❍ -1
- ❍ Neutral 0
- ❍ 1
- ❍ 2
- ❍ 3
- ❍ 4
- ❍ Extremely good 5

In the decision you just made, the true probability that earnings will be high was 20%. On average, what do you think other participants reported as the probability of high earnings?

20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%
○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

To what extent did you believe the reporting task was an ethical dilemma?

- ❍ Not at all 1
- ❍ 2
- ❍ 3
- ❍ 4
- ❍ 5
- ❍ 6
- ❍ 7
- ❍ 8
- ❍ 9
- ❍ 10
- ❍ Completely 11

How ethical do you believe your reporting decision was?

- Very unethical -5
- -4
- -3
- -2
- -1
- Neither unethical nor ethical 0
- 1
- 2
- 3
- 4
- Very ethical 5

The same table you used in the reporting task earlier is presented below. Please use this table to answer the next question.

If you report that the probability of high earnings is:	**You will receive a payoff of:**	**The stakeholders will share a payoff of:**	**Total Payoff to you and the stakeholders:**
20% (the *true probability)*	$1.50	$6.30	$7.80
25%	$1.60	$5.90	$7.50
30%	$1.70	$5.50	$7.20
35%	$1.80	$5.10	$6.90
40%	$1.90	$4.70	$6.60
45%	$2.00	$4.30	$6.30
50%	$2.10	$3.90	$6.00
55%	$2.20	$3.50	$5.70
60%	$2.30	$3.10	$5.40
65%	$2.40	$2.70	$5.10
70%	$2.50	$2.30	$4.80
75%	$2.60	$1.90	$4.50
80%	$2.70	$1.50	$4.20
85%	$2.80	$1.10	$3.90
90%	$2.90	$0.70	$3.60
95%	$3.00	$0.30	$3.30

What probability of high earnings would you select to make the payoff you receive and the payoff other stakeholders receive as fair as possible?

20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%

[**Note:** This page only appears in the voluntary CSR reporting condition.]

If the company had been required to provide the corporate social responsibility reports, would the probability of high earnings you reported to the stakeholders been higher, lower, or the same as what you reported earlier?

❍ Higher
❍ Lower
❍ The same

[**Note:** This page only appears in the mandatory CSR reporting condition.]

If the company had voluntarily provided the corporate social responsibility reports, would the probability of high earnings you reported to the stakeholders been higher, lower, or the same as what you reported earlier?

- ❍ Higher
- ❍ Lower
- ❍ The same

The materials and images in this task were adapted from those of United Parcel Service, Inc. (UPS). How familiar are you with UPS?

- ❍ None
- ❍ A Little
- ❍ Some
- ❍ A Lot

Which of the following best describes your investment status in shares of UPS?

- ❍ I don't own any shares of UPS, and I don't want to own any shares of UPS.
- ❍ I don't know if I own any shares of UPS.
- ❍ I own shares of UPS.
- ❍ I don't participate in the stock market.

Have you read a UPS Annual Report?

- ❍ Yes
- ❍ No

Have you read a UPS Sustainability Report?

- ❍ Yes
- ❍ No

How familiar are you with sustainability issues?

- ❍ None
- ❍ Little
- ❍ Some
- ❍ A Lot

How familiar are you with corporate sustainability initiatives?

- ❍ None
- ❍ Little
- ❍ Some
- ❍ A Lot

Have you ever read a corporate sustainability report?

- ❍ Yes
- ❍ No

Corporate social responsibility is important.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Neither Agree nor Disagree
- ❍ Agree
- ❍ Strongly Agree

I care about the environment.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Neither Agree nor Disagree
- ❍ Agree
- ❍ Strongly Agree

I care about social issues.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Neither Agree nor Disagree
- ❍ Agree
- ❍ Strongly Agree

I believe corporations are responsible for solving environmental and social problems.

- ❍ Strongly Disagree
- ❍ Disagree
- ❍ Neither Agree nor Disagree
- ❍ Agree
- ❍ Strongly Agree

Note: Participants were randomly assigned one of the two following questions to answer.

Why did you pick the earnings probability choice to report that you did?

____

How did you pick which earnings probability choice to report?

____

How many college-level (undergraduate and graduate) accounting classes have you taken?

- ❍ 0
- ❍ 1
- ❍ 2
- ❍ 3
- ❍ 4
- ❍ More than 4

How many college-level (undergraduate and graduate) finance classes have you taken?

- ❍ 0
- ❍ 1
- ❍ 2
- ❍ 3
- ❍ 4
- ❍ More than 4

What is your annual household income? (optional)

- ❍ Less than $20,000
- ❍ $20,001 - $30,000
- ❍ $30,001 - $40,000
- ❍ $40,001 - $50,000
- ❍ $50,001 - $60,000
- ❍ $60,001 - $70,000
- ❍ $70,001 - $80,000
- ❍ $80,001 - $90,000
- ❍ $90,001 - $100,000
- ❍ More than $100,000

Did you have any technical problems completing the survey? (e.g. Did any response fields not work? Did it look like anything displayed improperly?)

____

Thank you for completing this study.

Figure 1: Graphical Depiction of Hypothesis 2 Results

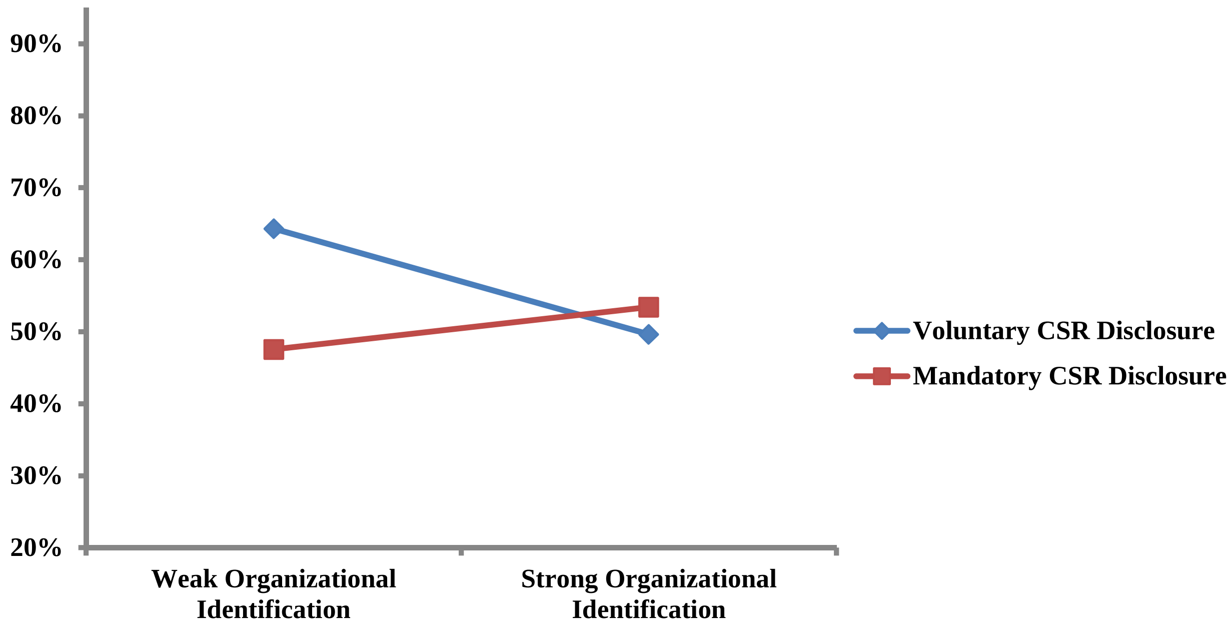


Figure 2: Organizational identification scale adapted from Mael and Ashforth 1992

The following items were measured on seven point Likert scales (1 = “Strongly disagree” and 7 = “Strongly agree”).

I would not be very interested in what others think about the company. (*reverse-coded*)

If someone criticized the company, it would feel like a personal insult.

If I were to talk about this company, I would usually say 'we' rather than 'they'.

This company's successes would be my successes.

If someone praised this company, it would feel like a personal compliment.

If a story in the media criticized the company, I would feel embarrassed.

Figure 3: Pay-off matrix to the participants and stakeholders for each reporting decision

If you report that the probability of high earnings is:	**<u>You</u> will receive a payoff of:**	**The <u>stakeholders</u> will share a payoff of:**	**Total Payoff to you <u>and</u> the stakeholders:**
20% (the *true probability)*	$1.50	$6.30	$7.80
25%	$1.60	$5.90	$7.50
30%	$1.70	$5.50	$7.20
35%	$1.80	$5.10	$6.90
40%	$1.90	$4.70	$6.60
45%	$2.00	$4.30	$6.30
50%	$2.10	$3.90	$6.00
55%	$2.20	$3.50	$5.70
60%	$2.30	$3.10	$5.40
65%	$2.40	$2.70	$5.10
70%	$2.50	$2.30	$4.80
75%	$2.60	$1.90	$4.50
80%	$2.70	$1.50	$4.20
85%	$2.80	$1.10	$3.90
90%	$2.90	$0.70	$3.60
95%	$3.00	$0.30	$3.30

Table 1: The Effect of CSR Disclosure Type on the Reporting Decision

Panel A: Descriptive Statistics – Mean, (Standard Deviation), Number of Observations

CSR Report Type	Reporting Decision
Voluntary	**56.52** (31.39) n=79
Mandatory	**50.26** (29.90) n=95

Panel B: Analysis of Covariance

Source	Sum of Squares	df	Mean Square	F	p
CSR Report Type	1,994.34	1	1,994.34	2.54	0.056*
Age	15,071.31	1	15,071.31	19.21	<0.001
Sex	2,872.51	1	2,872.51	3.66	0.057
Familiarity with UPS	4,588.64	1	4,588.64	5.85	0.017
Error	132,616.14	169	784.71		

*p-value is one-tailed for the directional test.

The dependent variable measures participants' responses to " . . . please complete the following report to the stakeholders . . . Dear Stakeholders: The probability that earnings will be high next period is:" on a scale from 20% to 95% displayed in 5% increments. Higher values represent greater misreporting.

Condition was manipulated as the company voluntarily providing the CSR report to stakeholders or the company providing the CSR report because it is required to.

Age: an ordinal variable with the following categories: 18-24 years old, 25-29 years old, 30-39 years old, 40-49 years old, 50-59 years old, 60-69 years old, 70+ years old.

Sex: male or female.

Familiarity with UPS: The response to "The materials and images in this task were adapted from those of United Parcel Service, Inc. (UPS). How familiar are you with UPS?" Response choices were "None," "A little," "Some," and "A lot."

Table 2: The Interactive Effect of CSR Disclosure Type and Organizational Identification on the Reporting Decision: Analysis of Covariance

Source	Sum of Squares	df	Mean Square	F	p
CSR Report Type	5,698.01	1	5,698.01	7.43	0.004*
Organizational Identification	323.14	1	323.14	0.42	0.517
CSR Report Type × Organizational Identification	4,358.51	1	4,358.51	5.68	0.018
Age	13,200.19	1	13,200.19	17.21	<0.001
Sex	2,475.05	1	2,475.05	3.23	0.074
Familiarity with UPS	4,489.23	1	4,489.23	5.85	0.017
Error	128,075.30	167	776.92		

*p-value is one-tailed for the directional test.

The dependent variable measures participants' responses to " . . . please complete the following report to the stakeholders . . . Dear Stakeholders: The probability that earnings will be high next period is:" on a scale from 20% to 95% displayed in 5% increments. Higher values represent greater misreporting.

Condition was manipulated as the company voluntarily providing the CSR report to stakeholders or the company providing the CSR report because it is required to.

Organizational identification: This measure is the mean of the responses to the six scale items adapted from Mael and Ashforth (1992). See Figure 2 for the scale items. Higher values represent stronger identification.

Age: an ordinal variable with the following categories: 18-24 years old, 25-29 years old, 30-39 years old, 40-49 years old, 50-59 years old, 60-69 years old, 70+ years old.

Sex: male or female.

Familiarity with UPS: The response to "The materials and images in this task were adapted from those of United Parcel Service, Inc. (UPS). How familiar are you with UPS?" Response choices were "None," "A little," "Some," and "A lot."

Table 3: The Interactive Effect of CSR Disclosure Type and Organizational Identification on the Reporting Decision (median split)

Panel A: Descriptive Statistics – Mean, (Standard Deviation), Number of Observations

	Organizational Identification		*Row*
CSR Report Type	Weak	Strong	
Voluntary	**64.32**	**49.64**	*56.52*
	(30.53)	(30.87)	*(31.39)*
	n=37	n=42	*n=79*
Mandatory	**47.55**	**53.41**	*50.26*
	(29.02)	(30.91)	*(29.90)*
	n=51	n=44	*n=95*
Column	*54.60*	*51.57*	
	(30.65)	*(30.77)*	
	n=88	*n=86*	

Panel B: Analysis of Covariance – Interaction with Organizational Identification

Source	Sum of Squares	df	Mean Square	F	p
CSR Report Type	2,059.19	1	2,059.19	2.68	0.052*
Organizational Identification	214.53	1	214.53	0.28	0.598
CSR Report Type × Organizational Identification	4,290.79	1	4,290.79	5.59	0.019
Age	14,307.94	1	14,307.94	18.63	<0.001
Sex	2,682.46	1	2,682.46	3.49	0.063
Familiarity with UPS	4,997.05	1	4,997.05	6.51	0.012
Error	128,243.22	167	767.92		

*p-value is one-tailed for the directional test.

The dependent variable measures participants' responses to " . . . please complete the following report to the stakeholders . . . Dear Stakeholders: The probability that earnings will be high next period is:" on a scale from 20% to 95% displayed in 5% increments. Higher values represent greater misreporting.

Condition was manipulated as the company voluntarily providing the CSR report to stakeholders or the company providing the CSR report because it is required to.

Organizational identification: This measure is a median split of the mean of the responses to the six scale items adapted from Mael and Ashforth (1992). See Figure 2 for the scale items. Means above the median are coded as one; means equal to or lower than the median are coded as zero.

Age: an ordinal variable with the following categories: 18-24 years old, 25-29 years old, 30-39 years old, 40-49 years old, 50-59 years old, 60-69 years old, 70+ years old.

Sex: male or female.

Familiarity with UPS: The response to “The materials and images in this task were adapted from those of United Parcel Service, Inc. (UPS). How familiar are you with UPS?” Response choices were “None,” “A little,” “Some,” and “A lot.”

Table 4: Self-Concept and the Reporting Decision

Panel A: Analysis of Covariance – The Effect of Self-Perceptions on the Reporting Decision

Source	Sum of Squares	df	Mean Square	F	p
CSR Report Type	1,578.02	1	1,578.02	2.15	0.072*
Self-perceptions	8,060.69	1	8,060.69	11.01	0.001
Order of self and reporting decision measures	443.84	1	443.84	0.61	0.437
Self-perceptions × Order	6,701.14	1	6,701.14	9.15	0.003
Age	18,693.90	1	18,693.90	25.52	<0.001
Error	123,051.22	168	732.45		

Panel B: Analysis of Covariance – The Importance of Moral Identity and the Reporting Decision

Source	Sum of Squares	df	Mean Square	F	p
CSR Report Type	4,853.94	1	4,853.94	6.17	0.007*
Importance of Moral Identity	2,197.65	1	2,197.65	2.80	0.096
Organizational Identification	1,123.30	1	1,123.30	1.43	0.234
CSR Report Type × Organizational Identification	3,729.34	1	3,729.34	4.74	0.031
Age	18,275.18	1	18,275.18	23.25	<0.001
Error	132,074.11	168	786.16		

*p-value is one-tailed for the directional test.

The dependent variable measures participants' responses to " . . . please complete the following report to the stakeholders . . . Dear Stakeholders: The probability that earnings will be high next period is:" on a scale from 20% to 95% displayed in 5% increments. Higher values represent greater misreporting.

Condition was manipulated as the company voluntarily providing the CSR report to stakeholders or the company providing the CSR report because it is required to.

Self-perceptions: the factor resulting from the following four measures: 1) "How do you feel about yourself right now?" on a nine-point scale from "Extremely negatively" to "Extremely positively," 2) "I consider myself a good person," on a seven point Likert scale from "strongly disagree" to "strongly agree," 3) "Compared to yesterday, how moral are you today?" on an eleven point scale from negative five ("Much worse") to positive five ("Much better"), and 4) "How would you describe your mood right now?" on an eleven point scale from negative five ("Extremely bad") to positive five ("Extremely good").

Order of self and reporting decision measures: a dichotomous variable equal to one if the participant completed the reporting decision task before the perception measures and equal to zero if the participant completed the reporting decision after the perception measures.

Importance of moral identity: The item “Being a moral person is not important to me” was measured on a seven point Likert scale from “strongly disagree” to “strongly agree” and reverse-coded so that higher values indicate greater importance of moral identity to the participant.

Organizational identification: This measure is the mean of the responses to the six scale items adapted from Mael and Ashforth (1992). See Figure 2 for the scale items. Higher values represent stronger identification.

Age: an ordinal variable with the following categories: 18-24 years old, 25-29 years old, 30-39 years old, 40-49 years old, 50-59 years old, 60-69 years old, 70+ years old.