OBA

Organizational and Behavioural Aspects of Accounting

Code: **OBA001** Day: **Wednesday**
Abstract ID: **0270** Time: **16.00-17.30**
Room: **Q007**

Disclosure Versus Recognition of Stock Options: A Test of Functional Fixation of Loan Officers

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Current research on how financial statement users interpret stock option information is mainly empirical. In this study, we contribute to this understanding by conducting a between-subjects experiment with loan officers. The independent variable is the reporting format of stock option information with three levels: recognition in the income statement, a descriptive note of the stock option based compensation plan and a note that includes a pro forma statement showing the impact of the cost of stock options on net income and earnings per share. Four dependent variables comprise the primary judgments of the company's (1) overall risk rating (ORR) and (2) overall trend rating (OTR), as well as (3) the decision to grant loan and (4) the establishment of the interest premium charged over the prime rate. Three additional secondary judgments are further investigated: (1) overall financial condition (CONDITION), (2) ability to sustain growth (GROWTH), and (3) ability to pay its debts (DEBT). Our results show that loan officers estimated a higher ORR and a more pessimistic OTR, were less inclined to grant the loan, and charged a higher interest premium in the presence of full disclosure in the income statement. However, loan officers' judgments and decisions were not influenced by the method of stock option disclosure in footnotes (descriptive or pro forma disclosure). Further, judgments of CONDITION, GROWTH and DEBT are also significantly more negative in the presence of full disclosure relative to the two methods of footnote disclosure. We also investigated if the primary and secondary judgments mediated the effects of the stock option compensation reporting format on the decisions.

Code: **OBA002** Day: **Wednesday**
Abstract ID: **0630** Time: **16.00-17.30**
Room: **Q007**

Assessing the concept of performance in the contingency-based management accounting research

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Contingency-based management accounting research has often been a focus of lively discussions in recent years, in addition to some methodological assessments and reassessments. Several key concepts have been discussed and evaluated. These include the concept of management accounting systems (MAS), contingency variables surrounding the use of MAS in their organizational, strategic, cultural, and environmental contexts, and forms of fit. But at the same time, our analysis of the concept of performance has been surprisingly limited. Yet, the contingency-based approach was developed to require and allow researchers to analyze the impact of MAS in aiding effective performance. Performance is the dependent variable of most contingency studies and hence one of the key variables. Over the years, the contingency-based literature has become the main approach to examine various types of performance effects of MAS. The purpose of this paper is to identify and discuss recent developments and existing anomalies in the measurement of performance effects in the contingency-based MAS research. These include issues related to the samples, methods, time perspective, scope and nature of performance measurement, and the role of human processes. Whilst some of the issues are recognized to represent common challenges in all social science research, the paper also provides suggestions for improving future research and future research topics.

Code: **OBA003** Day: **Wednesday**
Abstract ID: **1153** Time: **16.00-17.30**
Room: **Q007**

Pension Disclosure Effectiveness: Evidence from the Field

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A field-based survey is used to examine the disclosure effectiveness of financial risk regulations to pension members' investment decisions. The effectiveness of pension scheme disclosure is defined in terms of the observed strength of interaction between news favorableness and information load. Information load is conditioned by whether financial risk information is presented as financial ratios; abbreviated financial reports; or detailed financial statements. Disclosure effectiveness is examined both within-subject (environmental complexity) and between-subject (news favourableness, information load). Individual pension scheme members' investment decisions are found to be sensitive to the interaction of news favorableness and information load.

Code: **OBA004** Day: **Wednesday**
Abstract ID: **1063** Time: **17.30-18.30**
Room: **Q010**

Accountants', Customers' & Supervisors' Conceptual Models of Accounting Tasks

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Professional accounting work is evolving from a largely "backroom" activity to an increasing focus on the delivery of "customer" services. We hypothesize differences in stakeholders' conceptual models of accounting tasks, and investigate whether aspects of these task importance evaluations predict accountants' job performance. One-hundred-seventy-nine accountants, 286 accounting "customers", and 150 accounting supervisors at the United States Army Corp of Engineer (USACE) reported the perceived importance and prestige of accounting tasks, and, rated accountants' job performance. The results generally support the hypotheses. Our contributions include: (1) articulating customers', supervisors', and accountants' differing conceptual models of accounting work, (2) investigating the extent to which stakeholders' perceptions of accounting work determine their perceptions of accountants' success, and (3) demonstrating that stakeholder agreement as to accounting task importance partially determines accountants' perceived job performance. We conclude by arguing the importance of the emerging customer focus for accounting work.

Code: **OBA005** Day: **Wednesday**
Abstract ID: **1113** Time: **17.30-18.30**
Room: **Q010**

Risk Options as a Link Between Decision Making Under Risk and Risk-Return Relations

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The dominating theory for the explanation of the risk-return paradox and quadratic risk-return relations is the prospect theory. Prospect theory assumes risk averse decision making of individuals within positive and risk seeking decision making within negative prospects. Apparent minorities and compensative effects caused by the kind of analysis are ignored. This raises the question, whether prospect theory describes decision making under risk adequately. An other critical point about prospect theory based explanation of risk-return relations is that reference points of decision makers have at least a yearly basis (e.g. average return of industry), but explained risk-return relations display average returns over several years. Therefore, a theoretical link between ex-ante decision making and ex-post interpretations of risk-return relations is still missing. This paper shows based on an own empirical study about decision making under risk that acquiring decision making for positive and negative prospects on an individual basis allows the disaggregation of decision making under risk in four different groups. Prospect theory is supported but only for a sub-sample of the population. Risk-return relations that occur after several periods are an aggregation of the ex-ante decision making for every period, the different kinds of decision making under risk, and other like coincidental factors. This aggregation can hardly be done analytically but simulations can indicate the occurring effects within the four different groups of decision making and the compensative effects over all groups. The results of the simulations show that risk options are a link between ex-ante decision making under risk and the ex-post occurring risk-return relations.

Code: **OBA006** Day: **Wednesday**
Abstract ID: **0149** Time: **17.30-18.30**
Room: **Q009**

Management control and governance at Enron: The untold story

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This paper addresses the conundrum that at the time of Enron demise it had in place state-of-the art systems of control and governance, yet these proved ineffective in keeping the company on its until then highly successful business trajectory. To address this puzzle, the paper documents the interactive controls and analyzer strategy employed successfully by president Richard Kinder [circa. 1988-1996]. It then contrasts this with the governance regime during Jeff Skilling's term as president [circa. 1997-2000] – with its reactor strategy and its controls dominated by politics and personal power. The paper develops a conceptual schema drawing on Bourdieu's work on culture and language and Wittgenstein's language game theory of meaning and its extension by Lyotard [1984]. The schema is used to investigate and explain the above puzzle. The paper concludes that an organization's institutionalized *language game* and its *habitus* are vital to the effectiveness of its control and governance mechanisms. The paper makes two major contributions. First, it documents the untold story of how the breakdown in control and governance at Enron played an important role in Enron's collapse; a factor that has been overlooked by the vast number of papers focusing on Enron's financial accounting practices as the prime cause of its demise. And it presents a new conceptual schema for analyzing and understanding control and governance, one that goes beyond agency theory and goal congruence approaches.

Code: **OBA007** Day: **Wednesday**
Abstract ID: **0952** Time: **17.30-18.30**
Room: **Q009**

Expertise, Task Structure and Market Anomalies

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Research shows that accruals are mispriced and that this is not mitigated with increased analyst following while J/DM research finds that experts (analysts) do not outperform non-experts for considerably ill-structured tasks. We examine the relation between analyst following and accrual mispricing while considering attributes that can differentiate firms on the ill-structure of the pricing task. Two attributes are used to calibrate task ill-structure: (1) R&D/Sales, (2) Foreign sales/Total sales. Results show that when firms are unstructured (not partitioned on an ill-structure attribute), analyst following is not a significant explanatory variable. But when we segregate firms having R&D/Sales (or Foreign sales/Total sales) and calibrate them by their ill-structure levels, analyst following matters. Mispricing is significantly less when analyst following is high and the task is slightly ill-structured but not when analyst following is high and the task is considerably ill-structured.

Code: **OBA008** Day: **Thursday**
Abstract ID: **0515** Time: **9.00-10.30**
Room: **Q007**

The Use and Determinants of Controls in multinational Managerial Performance Evaluation

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Organizations use a wide array of controls. Yet, recent literature reviews suggest that prior empirical management accounting research has mostly focused on financial controls with only a limited number of studies examining other forms of controls (for reviews, see Pollanen 2001; Chenhall 2003; Haka & Heitger 2004). Furthermore, few studies have simultaneously analyzed several forms of controls in a systematic way. The only exceptions include studies by Merchant (1985, 1998), and Merchant and Van der Stede (2003), which have identified formal controls ranging from results to action and to personnel controls. Alternatively, Abernethy and Stoelwinder (1995), Abernethy and Brownell (1997), and Kennedy and Widener (2005) have examined fairly similar forms of controls referred to as output, behavior and professional (personnel or social) controls. The use of controls has mostly been examined in various kinds of domestic settings, and far less often in the more complex contexts of multinational companies (MNCs). Using a sample of multinational companies, this study investigates headquarters' emphasis of three types of controls in evaluating foreign subsidiary managers: financial results controls, nonfinancial results controls, and action accountability controls. The study predicts and finds that, on the whole, all of these controls play an important role in foreign subsidiary manager evaluation. Documentary and survey data also support several regularities between these controls and examined environmental and organizational contingencies. Furthermore, the study shows that differing environmental and organizational factors can have quite different effects.

Code: **OBA009** Day: **Thursday**
Abstract ID: **0572** Time: **9.00-10.30**
Room: **Q007**

The Effects of Setting Relative Goals Versus Fixed Goals on Agents' Task Performance

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In rapidly changing environments, fixed budget-based goals can quickly become obsolete and lose their motivating effect on agents' performance. Therefore, as an alternative to fixed goal, some authors are calling for the use of relative goals based on benchmarking (e.g. Hope & Fraser, 2003). Relative Goals, they argue, are adjusting naturally for uncontrollable factors, thereby increasing agents' motivation and performance. But empirical evidence is missing so far. To close the research gap this paper analyzes the effects of setting relative goals versus fixed goals on agents' fairness-perception, self-efficacy, personal goals and task performance for different goal levels, in changing and unchanging environments and with and without environmental uncertainty. Hypotheses are formulated based on goal setting theory and taking into account findings of analytical (e.g. Holmstrom, 1982) and behavioral studies (e.g. Frederickson, 1992). They are tested by using ANCOVAs, regression analyses and structural equation modeling (LISREL). The data has been collected in an experiment with 241 university students in Germany. The results indicate that in an unstable environment, which affects all agents the same way, relative goals are perceived as fairer and lead to significantly higher self-efficacy, personal goal and task performance than fixed goals. In contrast, in a stable environment there is almost no difference.

Code: **OBA010** Day: **Thursday**
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Room: **Q007**

Groves mechanism vs profit sharing for corporate budgeting – an experimental analysis with preplay communication

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This paper experimentally explores the efficiency of the Groves mechanism and a profit sharing scheme in a corporate budgeting context. It further examines the effects of anonymous communication on both incentive schemes. The results show that although the Groves mechanism is theoretically superior to the profit sharing scheme, the latter turns out to be advantageous for headquarters in our experimental setting. This is essentially due to the effects of communication on both incentive schemes. Under the profit sharing scheme it improves coordination and reduces inefficient resource allocation. Under the Groves mechanism however, it leads to stable collusion strategies of the participants and thus increases compensation costs.

Code: **OBA011** Day: **Thursday**
Abstract ID: **0104** Time: **11.00-12.30**
Room: **Q007**

From Financial Data Management To Surplus-Value Producing Internal Service

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This paper builds on the notion that, in order to meet the increasing management requirement for data, successful in-house accountancy professionals are internalizing ever more capabilities and responsibilities reflecting a partnership role in business-related professions. In particular, by means of interdisciplinary analysis the study investigates the organisational interfaces of the accountancy profession vis-à-vis other professions during the change process. The findings identify some possible factors contributing to the traditional way of producing and utilising accounting information, and suggest some possible measures to be used as key facilitators in starting a change process aimed at securing an enlarged, more customer-oriented and highly interactive role for accountancy. The contribution of the study lies in increasing our understanding of the inter-professional development processes in a situation in which the accounting techniques and methods used, and the accounting-culture-related meanings, beliefs and assumptions, do not all change at the same time. In addition, on the basis of the empirical evidence, the study supports the need to enlarge the academic term of strategic accounting to comprise some areas of financial reporting and finance, and to understand strategic accountancy as emerging within service-oriented interfaces between different professions.

Code: **OBA012** Day: **Thursday**
Abstract ID: **0207** Time: **11.00-12.30**
Room: **Q007**

The effects of gender factors on organizational inclusion and structural position

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One important factor for individuals to pursue a career within an organization is the degree to which they are included in important organizational processes. Earlier research has shown that inclusion in organizations is determined by, among other factors, ethical background and gender. This research has been carried out on individuals already established in the organizations. In this paper we instead focus on newcomers in organizations and the effect of gender on their perceived inclusion in the organization of the audit industry. The results indicate that no gender differences are present in perceived inclusion. On the other hand, when we look at formal positions, we find that women reach substantially lower formal positions during their first time in the organizations than men. In other words, women perceive themselves to be included, but are not promoted to the same degree as men. This indicates further consideration regarding the gendering processes of organizations.

Code: **OBA013** Day: **Thursday**
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Room: **Q007**

Organizational values and accounting change

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This interpretative case-study deals with the relationship between organizational values and accounting change. This relationship is theorized on a basis of three longitudinal case studies. The importance of organizational values or taken for granted assumptions in accounting change has already been pointed out in some recent studies (Malmi 1997, Partanen 1997, Burns & Scapens 2000, Kasurinen 2002), as well as the role of accounting in the change of organizational culture (Dent 1991), but there is however a clear lack of thorough analysis on the role of the organizational values in accounting change. Organizational values may affect on the organizational action patterns through proactive realization processes and organizational action might affect on the values through retroactive realization (Hatch 1993). Organizational values are thus dynamic over time. In one of the studied case site, organizational values even urged the accounting to change, meanwhile in another one, organizational values restricted the change. When the organizational values changed over time, it also made it possible to develop the accounting systems in the case firm. In a third case, accounting champion mobilized organizational action in order to develop the accounting systems. This action was also part of the wider change in organizational values.

Code: **OBA014** Day: **Thursday**
Abstract ID: **0517** Time: **14.00-15.30**
Room: **Theatre R**

Short-term Profitability Consequences in Multinational Managerial Evaluations

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This study examines the impact of managerial evaluations upon short-term profitability and how the effect of the evaluations varies with perceived environmental changes in multinational companies. Empirical research suggests that firms have increasingly adopted control systems that include various types of controls. The adoption of non-financial controls has been considered of great importance especially for firms faced with global competition, global operations and rapidly changing environments (Johnson & Kaplan, 1987). Ultimately, a balanced use of selected financial and non-financial indicators has been argued to ensure top performance (e.g., Goold and Quinn, 1990; Lynch and Cross, 1991; Kaplan & Norton, 1992; Smith, 1995). The growing importance of multiple controls, global competition, and global operations, including the increasing need to manage geographically dispersed foreign subsidiary managers, offer a setting to further our understanding of the financial outcomes of managerial evaluations in changing environments. Using a sample of multinational manufacturing companies, the study investigates the impacts of headquarters' (HQs') emphasis of financial results controls, non-financial results controls and action accountability controls in foreign subsidiary manager evaluations. The data suggest that HQs' emphasis of financial results controls improves short-term profitability more so than does their emphasis of non-financial results controls, action accountability controls, or joint emphasis of multiple forms of controls. The results also indicate that the effects of emphasizing non-financial results controls on short-term profitability vary with perceived environmental changes.

Code: **OBA015** Day: **Thursday**
Abstract ID: **0693** Time: **14.00-15.30**
Room: **Theatre R**

Intellectual Capital reporting practices of the top Australian firms

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Using content analysis of annual reports of the top 20 firms (by market capitalisation) listed on the Australian stock exchange in 2004, this paper reports the state of intellectual capital reporting practices in Australia. The study also compares the results with a previous Australian study carried out by Guthrie and Petty (2000) and reconfirms that reporting of intellectual capital is yet to be done within a consistent framework in Australia. Although most of the reporting was made through qualitative statements rather than quantitative terms, some encouraging shift towards quantitative reporting has become visible. Within the intellectual capital categories, external capital attributes were reported most and increased in reporting frequency relative to the Guthrie and Petty study. Industry had a significant effect on the reporting of IC. An attempt is made to explain the reporting practices with the use of media agenda setting theory. Key words: Australia, intellectual capital, media agenda setting theory.

Code: **OBA016** Day: **Thursday**
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Room: **Theatre R**

Stock Options and Employee Behavior

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Employee stock options (ESOs) are a widespread and economically highly significant phenomenon, both at the company and at the employee level. Despite its economic importance and due to data limitations, there exists very little empirical research that examines the behavior of employees in stock option programs. Our study attempts to fill this gap by empirically analyzing the behavior of option holders in a distinct ESO plan at a very large German corporation. By combining individual-level option exercise data with detailed data from an extensive questionnaire, we study how employees exercise their stock options and how they dispose of company stock acquired in ESO programs. Moreover, we investigate which rational and behavioral factors explain differences in observed exercise behavior? We find that employees exercise their options very early and in a few large transactions. A large majority of option recipients sell the shares acquired on exercise. Furthermore, our results suggest that, inconsistent with traditional ESO theories, exercise behavior is not driven by factors like risk aversion or individuals' holdings of company stock that are included in rational models of exercise. Our findings suggest that individuals' exercise decisions depend on the psychological factors miscalibration and mental accounting.

Code: **OBA017** Day: **Friday**
Abstract ID: **0229** Time: **9.00-10.30**
Room: **Q007**

How Formal And Informal Performance Measurement Systems Affect Managerial Justice Perceptions And Motivation

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The literature on organizational justice suggests that managerial motivation and performance are affected by the way in which managerial performance is evaluated and rewarded, but little is known about what attributes of the performance measurement system are crucial in evoking desired outcomes. We explore whether managerial motivation depends on the level of formalization of the performance measurement system, arguing that managers' justice perceptions mediate the relationship between system attributes and motivation. We predict that the managerial task uncertainty affects the extent to which managers prefer formalized over informal performance measurement systems. Regarding performance measurement system formalization, we separately analyze system attributes related to target setting, performance measurement and rewarding. Regarding justice, we distinguish between distributive and procedural justice. Hypotheses are tested in a sample of 150 bank managers. The paper provides evidence on the antecedents and consequences of organizational justice, suggesting the important mediating role of justice in the relationship between performance measurement and motivation. It suggests that although target setting, performance measurement and rewarding are related elements, their effects may be analyzed and understood in a separate fashion. Finally, the paper adds to our understanding of the role of formalized performance measurement systems under uncertainty.

Code: **OBA018** Day: **Friday**
Abstract ID: **0358** Time: **9.00-10.30**
Room: **Q007**

Self-Deception Ethical Bias Among Professional Accountants

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Self-deception ethical bias leads individuals to perceive themselves as acting more ethically than comparable others when confronted with ethically uncertain work-related behaviors. The first objective of this study is to establish whether self-deception ethical bias exists among Australian, Indian and Chinese Malaysian professional accountants from big-five accounting firms. The second objective is to examine the differential and competing influences of culture and acculturation on perceptions of accountants from the three countries on measures of this bias. Data was collected through a survey questionnaire administered to samples of senior accountants from the big-five accounting firms in Australia, India and Malaysia. The questionnaire comprised an auditor-client conflict and two whistle-blowing scenarios and used two questions to measure the magnitude of the bias. The results show that self-deception ethical bias exists among accountants within each of the three countries. However, the magnitude of the bias was not significant between the countries. The results support the theory of acculturation in big-five accounting firms. The findings have implications for accounting research and may also interest managers of multinational enterprises concerned with fostering an ethical organizational culture.

Code: **OBA019** Day: **Friday**
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Room: **Q007**

Framing Effect in the Accounting Information Setting: A Study Based on Prospect Theory in Brazil

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The purpose of the present study is to test the *framing effect* as defended by Kahneman and Tversky (1979 and 1984) in their *prospect theory* in a setting of individual decisions based on accounting information. Subjacently, to test the effect of the professional experience variable in the process. To do so, experimental research was carried out with 120 individuals with and without professional experience in decision making process to investigate for the four choice errors as presented by Kahneman and Riepe (1998). Results confirmed the *framing effect* – as predicted in the theory – except regarding risk aversion under gain situations. Results also confirmed slight effect of decision maker's experience variable on preference pattern – both cases require further investigation. *Key-words:* framing effect, prospect theory e experimental research

Code: **OBA020** Day: **Friday**
Abstract ID: **0816** Time: **11.00-12.30**
Room: **Theatre R**

Ideology vs Formal Systems as a Control Mechanism: A Case Study

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This paper uses Pettigrew (1985) 'context, content, process' model to evaluate, using a case study approach, the use of management control systems (MCS) in foreign direct investment (FDI) decisions. The organisational control mix included both formal, financially quantifiable information and explicit references to the company's ideology. The context of our study is the external and internal environment of a Greek manufacturing company which invested in the Balkans during the 1990s. The company is characterized by a very powerful CEO who is also the majority shareholder and an innovation and quality ideology. The content of the change is the FDI itself while the process refers to the usage of MCS. The analysis illustrates that conflict and political behaviour emerge during strategic decision tasks in response to changing environmental conditions; sectarian demands are generated during those decision processes and power is mobilized through control of resources. Dominant groups try to bring about their favourite decision outcomes, by affecting other participants' perceptions with reference to the company ideology. The paper also uses Hardy's (1996) fourth dimension of power, namely the power of the system which, unlike the other three, cannot be managed by organisational participants in order to affect the decision process and concludes that the change of the business brought by the FDI increased the power of both the formal MCS and those who controlled them.

Code: **OBA021** Day: **Friday**
Abstract ID: **0890** Time: **11.00-12.30**
Room: **Theatre R**

Informational Influence Strategies, Superiors' Power Bases and Subordinate Characteristics A Behavioral Study on the Use of Management Accounting Information

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Senior executives' capacity to assert management decisions largely depends on their possession of different power bases and the associated control of critical resources that others need in order to accomplish their tasks. Management accounting systems can here serve as a central resource to provide executives with the required information to assert decisions.
However, little is known about the ways in which management accounting information (MAI) are used by senior executives to influence their subordinates, how these uses of MAI affect subordinates' commitment and performance and how senior managers' perceived power bases and subordinate characteristics moderate these relationships. To examine these questions, a survey was sent to second and third line managers of a large German utility provider assessing their perceptions of the power bases and informational influence strategies employed by top management. The proposed relations were tested using the partial least square approach to structural equation modelling. Subsequent interviews complemented the analysis. The results support the hypothesis that power bases and influence strategies are different constructs. It can be shown how MAI can effectively be employed to motivate subordinates' incremental commitment and performance, and how senior managers' power bases and subordinate characteristics moderate the influence-influence outcome-relationship.

Code: **OBA022** Day: **Friday**
Abstract ID: **0956** Time: **11.00-12.30**
Room: **Theatre R**

**Exploring the Fit Between Strategy and Management Control Systems:
A Longitudinal Study of Profit Centres Abandonment Combined With a Customer-Oriented Strategy**

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Since the pioneer studies of the 1970s, contingency theory has been extensively applied to the accounting field. As new studies have been carried out, review articles on the fit between dimensions of management control systems (MCS) and other various internal and external organizational variables have tried to synthesize results that are somewhat puzzling and/or contradictory. Also, theoretical and methodological reflections were developed in order to address those contradictions and give directions for future studies. Reliance on Accounting Performance Measure (RAPM), types of financial and non-financial controls, incentive bonus schemes, budget evaluative styles, frequency and types of goals used are among the various dimensions of MCS explored in the accounting, contingency-type literature. The association of these MCS dimensions with organizational variables such as strategy, structure, environment, type of leadership, has been extensively tested in order to assess the impact on firms' performance. Surprisingly, the type of responsibility centres used is one dimension of MCS that has received very little attention from contingency researchers. The aim of this paper is to further explore the link between responsibility centres and strategy, echoing the pioneering studies of Alfred Chandler Jr. where structure and management control systems were said to evolve by following strategic changes of companies (Chandler, 1962). Based on data collected from a longitudinal case study, we argue that the utilization of profit centres is not the only "best way" of adapting the MCS to strategic changes in order to increase firm's performance.

Code: **OBA023** Day: **Friday**
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Room: **Theatre R**

Human capital value creation practices of software and service exporter firms in India

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This study explored the human capital (HC) value creation practices of the top seventeen software and service exporter firms in India. To accomplish this purpose this study used HC disclosure content attributes as a tool to evaluate the type, and amount of HC disclosure, and applied to the HC disclosure content attributes to the annual reports for the year 2003-04.The study conducted case study interviews with the Heads of Human Resources of fourteen software firms to obtain a greater understanding of the similarities between reporting and managed HC practices. The study identified most reported and least reported attributes of HC using content analysis and explained their reporting of value creation using case study interviews and resource based view. The findings suggest that the HC reporting practices were consistent with interview findings and the frequency of HC attributes followed the extent of their HC value creation to the firm. Key words: content analysis, human capital, India, software and service exporters, value creation,

Code: **OBA024** Day: **Friday**
Abstract ID: **0794** Time: **14.00-15.30**
Room: **Theatre R**

**Integrating Theories of Boundary Choice:
A Case from the Global Aircraft Industry**

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This paper investigates the explanatory power of three theories in the determination of firm boundaries. Transaction cost theory suggests that optimal firm structure depends on the contracting environment of the firm in the face of opportunism. Resource-based theories emphasise opportunities for sustainable competitive advantage. Options theory stresses the optimisation of investment opportunities. These theories have been comprehensively examined in the literature, but none appears to fully explain boundary choice. Theory was applied to a case study of the Boeing Company, in transition from a hierarchical to a collaborative structure in the design and production of the 787 aircraft. The contributions of the paper are threefold. First, there are two stages in the boundary decision: first, to collaborate, integrate or use the market mechanism, and second, the choice of governance mechanism to underpin this structure. Each phase may be driven by different, although related, motives. Second, all three theories contribute to the explanation of boundary choice at the Boeing Company, and a richer explanation is obtained if theories are used concurrently. Third, a complex set of moderating variables appears to affect theory applicability, including the role of information systems and characteristics of the institutional environment. Definitions of variables such as "risk" and "core competence" are also important. It is suggested that these issues form the basis for future research.

Code: **OBA025**
Abstract ID: **1000**

Day: **Friday**
Time: **14.00-15.30**
Room: **Theatre R**

Do Principles –VS. Rules – Based- Standards have a differential impact on U.S. Auditors' decisions?

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As a result of several highly publicized financial failures and a growing number of financial restatements, various stakeholder groups including the U.S. Congress have questioned the effectiveness of the current system of standards to govern financial reporting in the U.S. Those critics have suggested that an approach similar to International Financial Reporting Standards using principles-based standards would improve the quality of earnings and restore confidence in financial reporting. The primary purpose of this study is to experimentally examine whether principles-based standards will reduce U.S. auditors' propensity to allow clients to aggressively report earnings. The secondary purpose is to examine whether potential disciplinary action by the SEC and client pressure will differentially impact auditors' decisions under a principles-versus rules-based approach. Based on a sample of 114 experienced participants, the results show that U.S. auditors are less willing to allow clients to manage earnings under principles-based standards. The results indicate that more experienced auditors are less willing to allow clients who exert high pressure to aggressively report earnings and less experienced auditors are more affected by SEC pressure. These results also have important implications as the Financial Accounting Standard Board and International Accounting Standards Board continue work to eliminate the differences in U.S. GAAP and International Accounting Standards.