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Maas, V.S.; Shi, B.

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# The effects of target difficulty and relative ability on managers' delegation decisions

Victor S. Maas<sup>\*</sup>, Bei Shi

Amsterdam Business School, University of Amsterdam, Plantage Muidergracht 12, 1018 TV Amsterdam, the Netherlands

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## ABSTRACT

Managers often need to choose between handling a task themselves and delegating it to a subordinate. We examine how the difficulty of the performance target set for the task affects such choices. We theorize that while managers tend to delegate more when the subordinate has a higher ability to handle the task, they will also use delegation to influence the perceived responsibility for the task outcome. Accordingly, we hypothesize that managers will tend to delegate tasks with difficult targets to avoid potential blame and hold on to tasks with easy targets to claim potential credit, and that the former tendency will be stronger than the latter. Using an experiment, we find evidence consistent with the predicted effect of target difficulty, but not the hypothesized asymmetry. A supplemental experiment with a slightly modified design confirms the results of our main experiment and also provides evidence of the hypothesized interaction. In addition, our results show that difficult targets can lead to “over-delegation” and easy targets can lead to “under-delegation”, potentially destroying firm value.

## 1. Introduction

Assigning tasks and responsibilities to subordinates is an important component of a manager's job (Leana, 1986; Yukl and Fu, 1999; Brickley et al., 2004; Gallo, 2012; Sostrin, 2017). A store manager needs to assign staff members to store sections, an office director in a consulting firm allocates consultants to clients, and a department head at a university assigns faculty members to courses. In some settings, managers will also have the option of assigning a task to themselves. For example, the office director in a consulting firm might also have a portfolio of clients and the university department head may also need to teach some classes. We study how, in such settings, managers decide between doing a task themselves and delegating it to a subordinate. Specifically, we examine how managers' delegation decisions are affected by the difficulty of the performance target set for the task and the ability level of the subordinate.

When evaluating the costs and benefits of delegating a task to a subordinate, the first thing that managers consider is likely how well the subordinate can perform the task. We argue that while managers will

indeed be more likely to delegate a task when a subordinate has higher instead of lower ability than themselves, this does not mean that they will always assign the task to whoever is best able to perform it. The reason is that managers care about their image (Bénabou and Tirole, 2006; Butera et al., 2022) and are motivated to assume personal credit for successes and avoid personal blame for failures.<sup>1</sup>

Existing research suggests that while managers' delegation decisions may be aligned with the interests of the organization (e.g., Yukl and Fu, 1999; Graham et al., 2015), individuals sometimes delegate too little (Fehr et al., 2013; Bartling et al., 2014; Bobadilla-Suarez et al., 2017) or too much (e.g., Hamman et al., 2010; Bartling and Fischbacher, 2012; Steffel et al., 2016). Building on these insights, we develop theory on how image concerns can affect managers' delegation decisions. Specifically, we propose that managers use their delegation decisions to share credit for successes and blame for failures with their subordinates, even if the formal responsibility for the task outcome does not change.

In most settings, the prime determinant of whether a task is considered a success or a failure is whether task performance is above or below a predetermined target. Performance targets are an important

<sup>\*</sup> Corresponding author.

E-mail address: [vmaas@uva.nl](mailto:vmaas@uva.nl) (V.S. Maas).

<sup>1</sup> Of course, managers will also take into account their monetary incentives, i.e., how delegation will likely affect their pay. We do not investigate the effect of monetary incentives on delegation decisions in this study. To enable a clean focus on managers' image concerns, we look at a setting where managers' monetary incentives are aligned with firm interests and do not vary across conditions.

element of most firms' management control systems (Chenhall, 2003). Existing research shows that the difficulty level of performance targets varies substantially between firms and between organizational units (e.g., Indjekian et al., 2014; Arnold and Artz, 2015; Matějka and Ray, 2017; Feichter et al., 2018; Aranda et al., 2019; Anderson et al., 2020). Because target difficulty influences the probability of (not) achieving a target, which in turn affects the credit or blame managers receive, we expect it to affect managers' delegation decisions. We argue that managers will delegate more when the performance target for a task is more difficult (i.e., the probability of achieving the target is lower) because they use delegation to influence the perceived responsibility for the outcome of the task, and, in turn, their self-image and social image. We also predict that target difficulty and the relative ability of the subordinate versus the manager will interact in influencing managers' delegation decisions. The reason is that we expect managers will be more concerned with avoiding blame for failing to reach a target than with receiving credit for reaching a target. As a result, we expect managers' tendency to delegate to be more strongly affected by the ability difference when target difficulty is low than when target difficulty is high.

We test our predictions using an experiment with 296 participants. To assess participants' behavioral intentions, we ask them to respond to a case scenario about a manager in a consulting firm who needs to choose between handling a new client himself or assigning the client to a subordinate. The difficulty of the performance target set for the new client and the relative ability of the subordinate versus the manager are manipulated between subjects by varying the corresponding descriptions in the scenario.

The results from the experiment are largely consistent with our theory. We find that while participants expect the manager to be more likely to delegate the new client to the subordinate when the subordinate has higher ability, they also expect the manager to be more likely to assign the client to the subordinate when the performance target for the new client is more difficult, regardless of the ability level of the subordinate. Different from predicted, we find no evidence of an interaction effect of relative ability and target difficulty. The results from a supplemental experiment in which we ask participants to predict their own behavior instead of someone else's behavior confirm the findings of the main experiment, and also provide support for the predicted interaction effect. Thus, in the supplemental experiment, we do find that managers' tendency to delegate a task to a subordinate increases more strongly in the ability of the subordinate when target difficulty is low than when target difficulty is high.

Additional analyses reveal that difficult targets increase the occurrence of over-delegation (i.e., delegating when not delegating is best for the firm) and easy targets increase the occurrence of under-delegation (i.e., not delegating when delegating is best for the firm). Analyzing data collected using a post-experimental questionnaire, we also find evidence for the predicted underlying theoretical mechanisms. The results show that managers' delegation decisions are driven by the desire to avoid the blame of personally missing a target and the desire to assume the credit for being directly responsible for reaching a target, and that target difficulty determines whether they are more concerned about the former or the latter. Moreover, we find that managers indeed use delegation to influence the perceived responsibility for the task outcome.

Our study contributes to several streams of management accounting literature. First, our main finding that performance target difficulty affects managers' delegation decisions extends research on the allocation of decision-making rights in organizations. While prior research in this area (e.g., Nagar, 2002; Abernethy et al., 2004; Moers, 2006) has typically taken an economics-based perspective, we show that a more complete picture of when and why managers delegate requires taking into account behavioral factors such as managers' image concerns. In addition, while most of the existing literature (e.g., Nagar, 2002; Moers, 2006; Newman and Novoselov, 2009; Schöndube-Pirchegger and Schöndube, 2012; Kräkel and Schöttner, 2022) focuses on the delegation of decision authority by owners to managers, we examine a setting in

which middle managers delegate decision authority to their subordinates. We thus contribute to a growing literature that examines the role of middle managers in determining the effects of control systems (e.g., Bol et al., 2016; Liu et al., 2020; Yin, 2021; Farrell and Frank, 2022). Finally, our results add to research examining the effects of targets on managers' behavior. Targets are omnipresent in organizations but they are typically not set with their effects on delegation in mind (e.g., Ordoñez et al., 2009; Dekker et al., 2012; Feichter et al., 2018). Our findings suggest that when the performance target set for a task is difficult, managers tend to delegate too much (i.e., "over-delegation") whereas easy targets lead managers to delegate too little (i.e., "under-delegation"), potentially destroying firm value.

Our study also provides insights that might be useful for practitioners. Our results add to discussions in practice about how managers make delegation decisions and whether they delegate effectively (Gallo, 2012; Badal and Ott, 2015; Sostrin, 2017; Sugar, 2018; Landry, 2010). Specifically, the practitioner literature (e.g., Gallo, 2012; Sostrin, 2017; Sugar, 2018) has largely treated managers delegating too much or too little as a problem at the individual level (e.g., managers are assumed to lack the skill of delegating effectively). We believe that firms' control system design, specifically the presence of performance targets, may also cause inefficient delegation. Our conclusion that managers sometimes use their delegation discretion strategically signals that firms might benefit from clear rules and policies for allocating decision authority and from more closely monitoring managers' delegation decisions. In addition, while existing research has highlighted the downsides of setting challenging targets (Ordóñez et al., 2009), our study shows that there are also perhaps unanticipated downsides to setting targets that are very easy. If managers believe that a target will be achieved, they sometimes act strategically to make sure that the credit for target achievement flows to themselves and not to their subordinates. In sum, our results emphasize that when determining target difficulty, organizations should not only consider the motivational effects of targets but also take into account how targets affect managers' delegation decisions.

## 2. Hypotheses development

In this paper, we study a common situation in which managers need to choose between doing a task themselves and delegating it to a subordinate. We propose that the difficulty of the performance target set for the task affects how managers make such choices. However, before considering the effects of target difficulty, we first look at how managers *should* make delegation decisions.

From the firm's perspective, managers should delegate a task to a subordinate if the expected outcome will be better when the subordinate performs the task than when they perform the task themselves. One important factor that determines the outcome of the task is the ability of the person who performs the task.<sup>2</sup> As the relative ability of the subordinate versus the manager increases (decreases), delegation becomes more (less) advantageous to the firm. For example, if a manager in a consulting firm has the opportunity to assign a client to a junior colleague who is an industry specialist, delegation might very well be optimal from the perspective of the firm. However, if the subordinate's expected performance clearly falls short of the expected performance of the manager, then the firm is likely better off if the manager retains the client than if the manager assigns the client to the subordinate.

We propose that managers will consider the ability of themselves and their subordinates when making delegation decisions. In particular, everything else equal, managers will be more (less) likely to delegate a task when a subordinate is expected to do a better (worse) job than they themselves. We state this prediction in the following baseline hypothesis.

<sup>2</sup> We define ability in terms of the expected performance on the task. This broad notion of ability includes knowledge, expertise, experience, skills, etc.

**H1.** Managers' tendency to delegate a task to a subordinate increases in the relative ability of the subordinate versus the manager.

Even though managers will likely consider the ability of the subordinate to perform a task when making a delegation decision, this does not imply that they will always act in the interest of the firm. Instead, we argue that they will also factor in their private interests such that the difficulty of the performance target that has been set for the task will affect their delegation decisions, sometimes in ways detrimental to firm value. Prior literature shows that people are motivated to achieve targets, even when target achievement is not directly accompanied by external rewards (Locke and Latham, 1990, 2019). Targets serve as reference points and divide potential outcomes into two domains: success, when the outcome is at or above the target, and failure, when the outcome is below the target (Heath et al., 1999). As target difficulty increases, by definition, the probability of achieving the target (i.e., success) decreases and the probability of not achieving the target (i.e., failure) increases (Matějka and Ray, 2017). Achievement of targets comes with credit and allows individuals to experience pleasure and to feel like "a winner", while failing to achieve a target comes with blame and makes individuals experience displeasure and emotional pain (Latham and Locke, 2006; Robertson, 2012). The pride and pleasure that are associated with the credit for successes and the displeasure and shame following the blame for failures are important components of individuals' self-image and social image (Bénabou and Tirole, 2006; Butera et al., 2022). We expect that managers will be motivated to maintain a positive self-image and social image and thus to claim the credit for achieving a target and avoid the blame for failing to achieve a target. Further, we argue that managers will use delegation to influence the perceived responsibility of target achievement or failure in the eyes of both themselves and others.

Previous studies have found support for the general idea that delegation weakens the extent to which people *themselves* feel responsible for decision outcomes. Laboratory experiments (e.g., Hamman et al., 2010; Bartling and Fischbacher, 2012) show that individuals tend to engage in the pursuit of "self-interest through delegation". That is, instead of choosing a payoff distribution that is favorable to both themselves and a peer but unfavorable to a third party, they prefer to delegate the decision to the peer, whose incentives are perfectly aligned with their own. Consistent with this notion, field evidence suggests that managers sometimes hire external consultants to use them as scapegoats, for example, when decisions about layoffs need to be made (Semadeni and Krause, 2011; Sturdy, 2011). In line with these findings, we expect that when managers choose between performing a task themselves or delegating it to a subordinate, they will feel less responsible for the task outcome when they delegate the task. While managers who delegate a task to a subordinate may still feel proud (ashamed) if the task outcome is a success (failure), we expect these feelings will be stronger when the task outcome is realized by managers themselves compared to when the task outcome is realized by a subordinate under the manager's supervision.

Next, we theorize that delegation not only weakens managers' own sense of responsibility (their self-image) but also has a similar effect on the observers of the delegation decision (their social image). In other words, we expect other people in the organization to assign more credit (blame) to managers for (not) achieving a favorable outcome on a task when the task is performed by managers themselves than by a subordinate under the manager's supervision. Consistent with this idea, prior literature shows that delegation of a decision can effectively shift responsibility from the delegator to the delegate, both in the perception of people who are affected by the decision (Bartling and Fischbacher, 2012; Oexl and Grossman, 2013) and in the perception of unaffected third parties (Hill, 2015). Therefore, we propose that managers will expect others in the organization (e.g., their supervisors) to perceive them as less responsible for the task outcome when the task is delegated, even though formally the manager is still responsible for the outcome.

In summary, while delegating a task to a subordinate does not affect a manager's *formal* responsibility for the task outcome, based on the reasoning above we predict that managers are nevertheless more likely to delegate tasks for which more difficult performance targets have been set. Specifically, we expect that managers will *feel* less responsible for an outcome that is achieved by a subordinate under their supervision than for an outcome that results directly from their own actions. Moreover, we expect managers will anticipate that their supervisors will feel similarly, such that they expect to receive more credit (blame) for (not) achieving the target when they perform a task themselves compared to when they delegate it to a subordinate. We state our prediction in the following hypothesis.<sup>3</sup>

**H2.** Managers' tendency to delegate a task to a subordinate increases in the difficulty of the target set for the task.

Finally, we investigate the joint effect of the relative ability of the subordinate versus the manager and target difficulty on managers' delegation decisions. We expect relative ability and target difficulty to interact in influencing managers' delegation decisions such that relative ability matters less when the target is difficult than when it is easy. The reason is we expect that managers have a stronger motivation to avoid blame for a potential failure (i.e., when the target is not achieved) than to claim credit for a potential success (i.e., when the target is achieved).

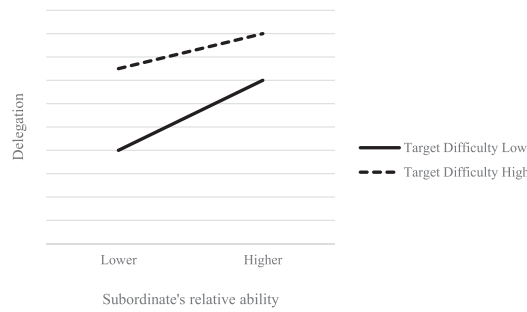
The general idea that "bad is stronger than good" appears in several shapes and forms in the psychology literature and has received much empirical support (Baumeister et al., 2001). For example, Tversky and Kahneman (1991) argue that people are loss averse such that their desire to avoid a loss is stronger than their desire to obtain a gain of a similar size. Consistently, Heath et al. (1999) predict that people will feel more pain than they would feel pleasure when they fall short versus surpass a goal by an equivalent amount. Similarly, studies on status concerns find that people cheat more to "avoid falling behind" than to "get ahead" (Pettit et al., 2016) and are willing to pay more or exert more effort to avoid a status loss than to obtain a status gain, even when such status concerns hurt the interest of their group or decrease their own monetary payoff (Pettit et al., 2010). Finally, the extensive literature on the "negativity bias" shows that, given an equal objective magnitude, negative events are more potent and draw more attention than positive events (Rozin and Royzman, 2001; Kaplan et al., 2012, 2018) and that this bias is probably hardwired (Cunningham et al., 2004; Huang and Luo, 2006).

Based on the insights from the literature on loss aversion, status concerns, and negativity bias, we theorize that managers will be more concerned about avoiding the blame for missing a target than about claiming the credit for achieving a target. We, therefore, expect that managers' delegation decisions will be more strongly influenced by the relative ability of the subordinate versus themselves when they face easier targets. That is, when managers anticipate blame for missing a target, they will consider delegating the task, even if the subordinate has a lower ability. In comparison, when they anticipate credit for target achievement, managers may still consider assigning the task to a subordinate that will do a better job because their concerns for claiming credit are less strong than their concerns for avoiding blame. We state our final hypothesis below.

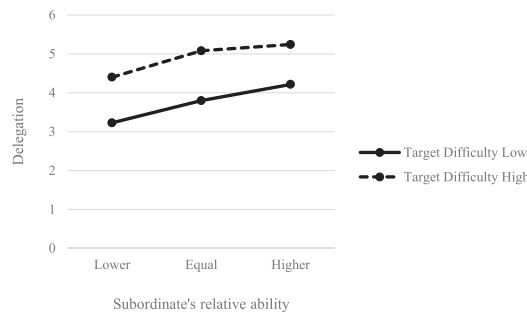
**H3.** Managers' tendency to delegate a task to a subordinate increases more strongly in the relative ability of the subordinate versus the manager when target difficulty is low than when target difficulty is high.

<sup>3</sup> Yukl and Fu (1999) also provide survey evidence that managers are sometimes reluctant to delegate important tasks to subordinates, independent of the likely outcomes, because they want to signal that they can handle the responsibility. To the extent that such motivations are also present in our setting, they would work against us finding support for H2.

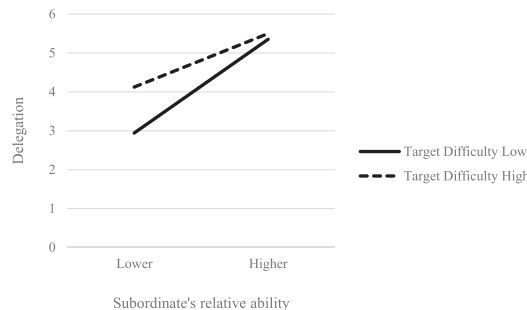
Panel A: Hypothesized Effects of Relative Ability and Target Difficulty on Delegation



Panel B: Observed Effects of Relative Ability and Target Difficulty on Delegation in the main experiment



Panel C: Observed Effects of Relative Ability and Target Difficulty on Delegation in the supplemental experiment



**Fig. 1.** Hypothesized and Observed Effects of Relative Ability and Target Difficulty on Delegation.

**Notes:** *Relative Ability* refers to the relative ability of the subordinate versus the manager and is manipulated at three levels in the main experiment (Lower, Equal, Higher) and at two levels in the supplemental experiment (Lower, Higher). *Target Difficulty* is manipulated at two levels (Low, High). In the main experiment, *Delegation* is measured as participants’ response to the question “[...] what do you think Mark will do in the current situation?” on a seven-point Likert scale with anchors (1) “Mark will definitely keep the new client for himself”, (4) “Mark will be indifferent about who is in charge of the new client”, and (7) “Mark will definitely assign the new client to Robert”. Mark is the manager in the case scenario who needs to make the delegation decision. In the supplemental experiment, *Delegation* is measured as participants’ response to the question “[...] what would you do in the current situation?” on a seven-point Likert scale with anchors (1) “I would definitely keep the new client for myself”, (4) “I would be indifferent about who is in charge of the new client”, and (7) “I would definitely assign the new client to Robert”.

Panel A of Fig. 1 summarizes the hypothesized effects of relative ability and target difficulty on delegation.<sup>4</sup>

<sup>4</sup> Our study examines how managers’ image concerns can motivate them to make delegation decisions that are not in the firm’s interest. We acknowledge that managers may also have unselfish motives to delegate tasks to subordinates with lower abilities or not delegate tasks to subordinates with higher abilities. For example, managers faced with a task for which a difficult target has been set may be reluctant to assign the task to a subordinate, even when the subordinate is better equipped to perform the task than they themselves, because they find it immoral to ‘throw the subordinate under the bus’. Indeed, as described in footnote 10, some of our participants seem to be driven by such motives. Notably, the presence of these motives works against our finding support for our hypotheses.

### 3. Method

#### 3.1. Design

We test our hypotheses using an experiment with a 2 × 3 between-subjects design. In the experiment, participants read a case scenario about a delegation decision and indicate how they think the manager in the scenario will behave. Following prior literature (e.g., Ponemon and Gabhart, 1990; Sweeney and Roberts, 1997; Hartmann and Maas, 2010), we use a third-person scenario to avoid social desirability bias. Framing scenarios in the third - as opposed to second - person is often recommended when using vignettes that describe ethically sensitive situations, as these are particularly sensitive to social desirability bias. Thus, participants’ predictions about what someone else would do in a scenario



might be more informative about what they themselves would do in that setting than participants' direct assessments of their own behavioral intentions (e.g., Ponemon and Gabhart, 1990; Randall and Fernandes, 1991; Sweeney and Roberts, 1997). We manipulate target difficulty at two levels (low, high) and the relative ability of the subordinate versus the manager at three levels (no ability difference, the subordinate has lower ability than the manager, the subordinate has higher ability than the manager) by varying the setting described in the scenario.<sup>5</sup>

### 3.2. Task, manipulations, and dependent variable

The case scenario describes a setting in a consulting firm. The director of a regional office of the firm ("Mark") has been informed by the corporate CEO that his office will be responsible for a new client. The regional director needs to decide whether he keeps the client for himself or, instead, assigns the client to one of the vice-directors ("Robert"). The full case scenario is in the Appendix.

Participants read that the corporate management team has set a profitability target for the new client. Depending on the experimental condition (*low target difficulty* or *high target difficulty*), this target is either described as "easy" such that "Mark is convinced that the engagement will be a success" or "challenging" such that "Mark is convinced that the engagement will be a disappointment." Participants are also informed about how well Mark and Robert are positioned to handle the client. Participants in the *no ability difference* condition read that "Both Mark and Robert have the specific knowledge and experience that is required to serve the new client. Hence, Mark has no reason to believe that he will do better or worse than Robert." Participants in the *subordinate lower ability* condition read that "Mark believes that his specific knowledge and experience put him in a better position to serve the new client than Robert. Hence, if he keeps the client for himself the profitability of the engagement will be higher than if he assigns the client to Robert." Participants in the *subordinate higher ability* condition read that "Mark believes that Robert's specific knowledge and experience put Robert in a better position to serve the new client than himself. Hence, if he assigns the client to Robert the profitability of the engagement will be higher than if he keeps the client for himself." Importantly, in the *low target difficulty* condition it is made clear that the target would be achieved even if the client were assigned to the lower ability person, and in the *high target difficulty* condition it is made clear that the target would not be achieved even if the client were assigned to the higher ability person. Thus, while the ability difference between Mark (the manager) and Robert (the subordinate) affects the expected profitability of the engagement, it does not affect the probability that the profitability target will be met.<sup>6</sup>

Participants in all conditions are further informed that Mark's expectations about the relative ability of himself and Robert are "[...] Mark's private assessment and he has not shared this information with the CEO, Robert, or anyone else." Thus, corporate management cannot determine ex ante whether a delegation decision is in the interest of the firm or not, as they are not aware of the relative ability of the manager and the subordinate. We include this statement in the scenario to prevent

<sup>5</sup> The experiment was approved by the Economics and Business Ethics Committee at the University of Amsterdam.

<sup>6</sup> This design choice ensures that our manipulation of relative ability is not confounded with the probability of target achievement, and thus target difficulty, which allows a clean and internally valid test of our theory. It is important to note that our theory generalizes beyond settings in which there is ex-ante certainty about whether or not a target will be achieved. Specifically, we theorize that when target difficulty increases (decreases), the probability of achieving the target decreases (increases) and the probability of the outcome being a success (failure) decreases (increases), which will lead to more (less) delegation due to managers' motivations to avoid blame and claim credit. In other words, we expect that managers' motives to directly claim credit and avoid blame will in general play a role in their delegation decisions.

participants from assuming that corporate management will blame the manager for making a delegation decision that is not in the interest of the firm, which allows a clean test of our theory. While in some real-world settings corporate managers may have accurate knowledge about the skill sets of lower-level employees such that managers cannot simply do whatever is in their own interest, it is more likely that corporate managers lack accurate knowledge of the ability of lower-level employees who are not their direct reports. As a result, middle-level managers can take advantage of such information asymmetry to pursue their private interests when making delegation decisions.

Participants also read that Mark has quarterly meetings with the CEO and the other members of the corporate management team to discuss the performance of his office and that in preparation of such meetings the person in charge of a client writes a report outlining their actions and the client results in the past period. Participants in the *low target difficulty* (*high target difficulty*) condition also read that "Because the results for the new client will be above (below) the profitability target, Mark is sure that the CEO and the management team will be very satisfied (disappointed), no matter whether he or Robert is in charge of the new client." We mention the quarterly meeting with corporate management in the case scenario because in the development of H2, we argue that the potential blame and credit associated with missing or achieving the target comes from both managers themselves and others, for example their supervisors.

Regarding the incentives of Mark and the vice-directors, participants in all experimental conditions read that "Mark and the vice-directors receive a fixed salary, and in addition, they all participate in a corporate-level profit-sharing program that pays a bonus based on the profitability of the firm." Thus, as is common in real-world settings, the monetary incentives of the manager in our setting are aligned with the interest of the firm. This design choice increases the probability of finding support for our baseline hypothesis H1 but simultaneously allows for a strong test of the behavioral effects predicted in H2 and H3, which are our main focus in the paper. That is, if managers would only consider the economic impact of their delegation decisions, we should not observe any effect of target difficulty.

After reading the case scenario, participants indicate what they think the regional director will do in the described situation. Their response is recorded on a seven-point Likert scale with anchors (1) "Mark will definitely keep the new client for himself", (4) "Mark will be indifferent who is in charge of the new client", and (7) "Mark will definitely assign the new client to Robert". This measure, which we label *Delegation*, is the dependent variable in our study.

### 3.3. Participants and procedures

We recruited 300 participants (50 per condition) on the online platform Prolific (Palan and Schitter, 2018) and obtained 296 complete observations. To qualify for participation, Prolific members had to be at least 21 years old, live in the UK or the US, be native speakers of English, and have work experience in a managerial position. Moreover, we required that they worked on a desktop or laptop computer (not a mobile device) and had an approval rate of 95% or higher. Participants were paid £ 1 for (on average) 8 min of their time.

After accepting the task on Prolific, participants were directed to a Qualtrics instrument. Participants first gave their informed consent. They then received instructions, read the case scenario, and answered the question that we use to capture the dependent variable and an open question that asked them to explain why they expect Mark to behave in the specified way. The final stage of the experiment consisted of a questionnaire that contained manipulation checks, a few questions about the participants' thought processes, and demographic questions.

Of the 296 participants, 115 are male (38.85%) and 181 are female (61.15%). The mean age of the participants is 40. On average, the participants have 19.54 years of work experience and 7.71 years of experience in managerial positions.

## 4. Results

### 4.1. Attention and manipulation checks

The post-experimental questionnaire (PEQ) contained three attention checks and three manipulation checks. Two attention checks asked the participants to recall basic facts from the case scenario and one asked them to check a specific value on a Likert scale to show that they were paying attention. The manipulation checks asked participants to indicate on a seven-point Likert scale to what extent they agree that (a) the target was difficult, (b) Mark expected to do better than Robert, and (c) Mark expected to do worse than Robert (1 = “Strongly disagree”, 4 = “Neither agree nor disagree”, and 7 = “Strongly agree”). Of the 296 participants, 158 passed all three attention checks, 201 passed all three manipulation checks, and 127 passed all six checks.<sup>7</sup> We take a conservative approach and retain all participants in the sample. Importantly, all of our main inferences are unchanged if we only analyze the data from participants who passed the attention checks, the manipulation checks, or all checks.

### 4.2. Descriptive statistics

Panel A of Table 1 contains descriptive statistics about the dependent variable *Delegation* in each of the six experimental conditions, and overall. These results are also illustrated in Panel B of Fig. 1. Consistent with our expectations, delegation increases in the relative ability of the subordinate versus the manager both when target difficulty is low and when it is high. Also, delegation is higher when target difficulty is high than when target difficulty is low for each level of relative ability.

### 4.3. Hypotheses tests

To formally test our hypotheses we run a factorial ANOVA. The results are reported in Panel B of Table 1. The baseline hypothesis H1 predicts that delegation will increase as the ability of the subordinate moves from being lower than the ability of the manager to being equal to the ability of the manager and then to being higher than the ability of the manager. Consistent with our prediction, the main effect of relative ability is significant ( $F = 6.68, p = 0.002$ ) and both lines in Panel B of Fig. 1 are upward-sloping. A Jonckheere–Terpstra test (untabulated) confirms that there is a positive trend in *Delegation* as the ability difference becomes more favorable for the subordinate ( $z = 3.475$ , two-tailed  $p < 0.001$ ).<sup>8</sup> These findings support H1. Next, H2 predicts that delegation will be higher when the target is difficult than when the target is easy. Consistent with this hypothesis, we find that the main effect of target difficulty is significant ( $F = 31.08, p < 0.001$ ) and that in Panel B of Fig. 1 the high target difficulty line lies consistently above the low target difficulty line. Thus, H2 is supported. Finally, we do not find a significant interaction effect of relative ability and target difficulty on delegation ( $F = 0.13, p = 0.882$ ), so H3 is not supported. We get back to this unexpected finding below.<sup>9</sup>

<sup>7</sup> We count as a ‘pass’ any score above (or below, depending on the question) the midpoint of the scale (4). Scores at the midpoint are counted as fails.

<sup>8</sup> If we look at the easy target condition and difficult target condition separately, we also find significantly positive trends using the Jonckheere–Terpstra test ( $z = 2.620$ , two-tailed  $p = 0.009$  and  $z = 2.393$ , two-tailed  $p = 0.017$  respectively, untabulated).

<sup>9</sup> As indicated, all inferences are the same if we test our hypotheses using only the data from a reduced sample of 127 participants who passed all attention and manipulation checks. Specifically, untabulated results show that the main effects of relative ability ( $F = 17.47, p < 0.001$ ) and target difficulty ( $F = 13.36, p = 0.019$ ) are still significant and the interaction is not ( $F = 0.07, p = 0.979$ ).

### 4.4. Additional analyses

We perform several additional analyses.<sup>10</sup> In the first additional analysis, we examine whether participants act in the interest of the firm, or instead “over-delegate” (i.e., delegate when they should not) or “under-delegate” (i.e., not delegate when they should). In our experiment, the relative ability of the subordinate versus the manager provides a normative benchmark for whether or not the manager *should* delegate from the firm’s perspective. If the subordinate has higher ability than the manager, delegation is in the best interest of the firm, whereas if the subordinate has lower ability than the manager, the manager should not delegate. We look at the number of participants in each condition who score below versus above the midpoint of the scale (4) of our dependent variable *Delegation*, i.e., who tend towards not delegating versus towards delegating. In this analysis, we exclude the participants who chose the scale midpoint (4 = “Mark will be indifferent who is in charge of the new client”).

When the subordinate has higher ability, the manager *should* delegate. However, when target difficulty is low, 46.8% of the participants (22 out of 47) actually tend towards no delegation, which is significantly higher than the proportion of participants (26.0%, 13 out of 50 participants) tending towards no delegation when target difficulty is high ( $\chi^2 = 4.55, p = 0.033$ ). This result suggests that easy targets increase the proportion of participants who delegate too little, and are more likely to cause under-delegation. When the subordinate has lower ability, the manager *should not* delegate. In this situation, however, 58.0 percent of the participants (29 out of 50) actually tend towards delegating when target difficulty is high, which is significantly higher than the proportion of participants (28.6%, 14 out of 49 participants) tending towards delegating when target difficulty is low ( $\chi^2 = 8.72, p = 0.003$ ). This result implies that difficult targets significantly increase the proportion of participants who delegate too much, and are more likely to lead to over-delegation.<sup>11</sup> In summary, our findings suggest that the use of performance targets, an important control mechanism in firms, can have unintended consequences on delegation and may lead to inefficient delegation decisions that are detrimental to firm value.

We continue our analyses by examining the data collected using the PEQ. The results support our theoretical reasoning. First, we examine how target difficulty affects concerns about assuming credit and avoiding blame. We theorize that targets divide the potential outcome of a task into two domains, success and failure, and the difficulty of the target determines which outcome is more likely. Specifically, with easy targets, the probability of achieving the target is high so we expect managers in the low target difficulty conditions to be primarily driven by a desire to claim credit. In contrast, with difficult targets, the probability of not achieving the target is high so we expect managers in the high target difficulty condition to be primarily motivated by a desire to

<sup>10</sup> All results presented in this section are untabulated.

<sup>11</sup> Notably, we also observe that some participants do not delegate (delegate) even when delegating (not delegating) is both in the firm’s interest and in their own interest. For example, 26% of the participants in the subordinate higher ability – high target difficulty condition tend towards not delegating. We can only speculate about these participants’ motivations, as our experiment was not designed to test baseline levels of delegation, which are likely context- and individual-specific. One possibility is that some participants feel that delegating a task that will be a failure to a subordinate is immoral. Indeed, answers to an open-ended question in the PEQ suggest that this motive played a role for some participants. For example, one participant in the subordinate higher ability – high target difficulty condition who did not delegate indicated that he believes that the manager’s “[...] moral compass [...] may lead to him ‘taking one for the team’.” Similarly, several participants in the subordinate lower ability – low target difficulty condition who nevertheless chose to delegate explained their decisions by mentioning that it is an opportunity for the subordinate to develop himself and gain valuable experience. As explained earlier, the presence of these motives works against us in finding support for our hypotheses.

**Table 1**  
Main Experiment Results.

Panel A: Descriptive Statistics			Relative Ability of Subordinate			
			Lower	Equal	Higher	Overall
Target Difficulty	Low	n	49	49	47	145
		Mean	3.22	3.80	4.21	3.74
		SD	1.92	1.66	2.09	1.93
	High	n	50	51	50	151
		Mean	4.40	5.08	5.24	4.91
		SD	1.83	1.59	1.64	1.71
Overall	n	99	100	97	296	
	Mean	3.82	4.45	4.74	4.33	
	SD	1.96	1.74	1.93	1.91	

Panel B: Factorial ANOVA Results					
Source	Partial Sum of Squares	df	Mean Square	F	Sig.
Model	144.720	5	28.944	9.01	< 0.001
Relative Ability	42.895	2	21.448	6.68	0.002
Target Difficulty	99.811	1	99.811	31.08	< 0.001
Relative Ability × Target Difficulty	0.807	2	0.404	0.13	0.882
Error	931.168	290	3.211		
Total	1075.889	295	3.647		

**Notes:** *Relative Ability* refers to the relative ability of the subordinate versus the manager and is manipulated in the case scenario at three levels (Lower, Equal, Higher). *Target Difficulty* is manipulated at two levels (Low, High). *Delegation* is measured as participants' response to the question "[...] what do you think Mark will do in the current situation?" on a seven-point Likert scale with anchors (1) "Mark will definitely keep the new client for himself", (4) "Mark will be indifferent about who is in charge of the new client", and (7) "Mark will definitely assign the new client to Robert". Mark is the manager in the case scenario who needs to make the delegation decision.

avoid blame. To examine whether this is the case we construct two measures of participants' relative concern about assuming credit versus avoiding blame. First, we create a measure of the managers' motivation to assume credit versus avoid blame *from their own perspective*, i.e., their self-image concern, by subtracting the score on the item "I think Mark wants to avoid feeling like a loser" from the score on the item "I think Mark wants to feel like a winner." The higher the value of the measure, the higher the concern for claiming credit relative to avoiding blame. As expected, we find that this measure is negatively correlated with target difficulty ( $\rho = -0.156, p = 0.007$ ). Next, we create a measure of the managers' motivation to assume credit versus avoid blame *from the corporate management perspective*, i.e., their social image concern, by subtracting the score on the item "I think Mark wants to avoid making a bad impression on corporate management" from the score on the item "I think Mark wants to make a good impression on corporate management." The higher the value of the measure, the higher the concern for claiming credit relative to avoiding blame. Again, as expected, this measure is negatively correlated with target difficulty and this correlation is marginally significant ( $\rho = -0.109, p = 0.061$ ). These findings are consistent with our theory that managers in the low target difficulty conditions are primarily concerned about claiming credit and managers in the high target difficulty condition are primarily concerned about avoiding blame.

Next, we investigate the motivations behind participants' delegation decisions. We asked participants to indicate on a seven-point scale (1 = "Strongly disagree", 4 = "Neither disagree nor agree", and 7 = "Strongly agree") to what extent they agree with a number of statements about possible motivations behind their delegation decisions. Participants in all six experimental conditions agreed that Mark wants to "feel good about his own performance", "feel good about his office's performance", "feel like a winner", "avoid feeling like a loser", "make a good impression on corporate management", and "avoid making a bad impression on corporate management" (all means > 4, all two-tailed  $p < 0.001$ ). These results are consistent with our theory that managers are motivated to claim credit and avoid blame and that, when combined with their discretion in delegation decisions, such image concerns can lead to inefficient delegation decisions.

We also examine the possible motivations behind delegation decisions at different target difficulty levels. Bivariate correlations show that participants in the low target difficulty conditions who agreed more strongly with the statements that Mark wants to feel good about his own performance ( $\rho = -0.204, p = 0.014$ ) and wants to feel like a winner ( $\rho = -0.224, p = 0.007$ ) were less likely to delegate. This result confirms our reasoning that managers sometimes hold on to tasks with easy targets instead of delegating them to their subordinates to feel good about their own performance. We also find that in the high target difficulty conditions, the extent to which participants agreed with the statements that Mark wants to avoid feeling like a loser ( $\rho = 0.194, p = 0.017$ ) and wants to avoid making a bad impression on corporate management ( $\rho = 0.140, p = 0.086$ ) are positively associated with delegation. This result confirms our reasoning that when target difficulty is high, managers delegate tasks to subordinates to avoid feeling bad about their own performance and being blamed for disappointing outcomes.

Finally, we test our theory that delegation weakens a manager's perceived responsibility for the outcome of the task. In the PEQ, we asked participants to indicate who they feel will be responsible for the performance of the new client and who they feel will be held responsible for the performance by the corporate management team, *given their delegation decisions*. Both items are scored on a seven-point scale with anchors (1) = "Only Mark", (4) = "Mark and Robert equally", and (7) = "Only Robert" (remember that in the scenario Mark is the manager and Robert is the subordinate). Ignoring the 43 observations from participants who were indifferent between delegating and not delegating, we find that participants who did not delegate feel that the manager will be primarily responsible (Mean = 1.82) while participants who did delegate feel that the subordinate will be primarily responsible (Mean = 4.97). This difference is significant ( $t = 19.447$ , two-tailed  $p < 0.001$ ), and both means are significantly different from the scale midpoint (4) (both two-tailed  $p < 0.001$ ). The responses to the question of who the participants feel will be held responsible for the performance of the new client by the corporate management team show a similar pattern. Participants who did not delegate believe that corporate management will hold the manager responsible (Mean = 1.55) while participants who did



delegate believe that corporate management will primarily look toward the subordinate (Mean = 4.30). This difference is also significant ( $t = 14.820$ , two-tailed  $p < 0.001$ ), and both means are significantly different from the scale midpoint (4) ( $t = -27.470$ , two-tailed  $p < 0.001$  and  $t = 2.176$ , two-tailed  $p = 0.031$ , respectively). Taken together, these results confirm our reasoning that, even though managers are always formally responsible for the performance of their office, they do use delegation to shift the perceived responsibility (and potential blame) to a subordinate and similarly sometimes hold on to tasks to prevent the perceived responsibility (and potential credit) from being shifted to a subordinate.

#### 4.5. Supplemental experiment

Inconsistent with H3, we do not find evidence that managers in our setting are more motivated to avoid blame than to claim credit. In other words, we do not observe loss aversion or negativity bias. One possible explanation for the lack of support for H3 is that the third-person scenario failed to sufficiently immerse participants in the case to allow us to pick up more subtle effects, should they exist (Winters and Weitz-Shapiro, 2013; Ahmad et al., 2014). Notably, in our setting, the effect predicted in H3 likely operates at the subconscious level, while the effects predicted in H1 and H2 typically require a deliberate and conscious decision. To investigate this potential explanation for the lack of support for H3 we conduct a supplemental experiment. This experiment uses the same scenario as our main experiment but we rewrite it in the second-person perspective as opposed to the third-person perspective. Accordingly, we do not ask the participants to predict someone else's behavior but, instead, we ask them to indicate how they themselves would act in the described setting. Responses are recorded on a seven-point scale with anchors (1) "I would definitely keep the new client for myself", (4) "I would be indifferent about who is in charge of the new client", and (7) "I would definitely assign the new client to Robert." The supplemental experiment has a  $2 \times 2$  between-subjects design, as we omitted the equal ability conditions (see the Appendix for the exact differences between the scenarios used in the main and supplemental experiments).<sup>12</sup>

We recruited 200 participants (50 per condition) on the online platform Prolific with the same qualification requirements as in our main experiment and the additional requirements that participants did not take part in the prior experiment and that the sample was balanced across genders.<sup>13</sup> Of the 200 participants, 99 are male (49.50%) and 101 are female (50.50%). The mean age of the participants is 43.39. On average, the participants have 22.51 years of work experience and 8.15 years of experience in managerial positions. All procedures and checks are the same as in the main experiment, with some minor changes in wording to reflect the second-person framing of the scenario. Of the 200 participants, 95 passed all three attention checks, 138 passed all three manipulation checks, and 73 passed all six checks. We again retain all participants in the sample.

Panel A of Table 2 contains descriptive statistics about the dependent variable *Delegation* in each of the four experimental conditions and overall, and Panel C of Fig. 1 contains a graphical depiction of these results. Consistent with our expectations, managers' tendency to delegate increases in the difficulty level of the performance target set for the new client and in the relative ability of the subordinate versus the manager. We again test our hypotheses using a factorial ANOVA. The results are reported in Panel B of Table 2. We find that, as in the main experiment, both the main effects of relative ability ( $F = 70.77$ ,  $p < 0.001$ ) and target difficulty ( $F = 8.67$ ,  $p = 0.004$ ) are significant.

<sup>12</sup> The experiment was approved by the Economics and Business Ethics Committee at the University of Amsterdam.

<sup>13</sup> The option of a gender-balanced sample was not provided by Prolific at the time we ran the main experiment.

**Table 2**  
Supplemental Experiment Results.

Panel A: Descriptive Statistics					
			Relative Ability of Subordinate		
			Lower	Higher	Overall
	Low	n	49	51	100
		Mean	2.94	5.35	4.17
		SD	1.75	1.68	2.09
Target Difficulty	High	n	50	50	100
		Mean	4.12	5.50	4.81
		SD	1.72	1.15	1.61
Overall	Overall	n	99	101	200
		Mean	3.54	5.43	4.49
		SD	1.83	1.44	1.89

Panel B: Factorial ANOVA Results					
Source	Partial Sum of Squares	df	Mean Square	F	Sig.
Model	213.737	3	71.246	28.03	< 0.001
Relative Ability	179.910	1	179.910	70.77	< 0.001
Target Difficulty	22.050	1	22.050	8.67	0.004
Relative Ability × Target Difficulty	13.366	1	13.366	5.26	0.023
Error	498.243	196	2.542		
Total	711.980	199	3.578		

**Notes:** *Relative Ability* refers to the relative ability of the subordinate versus the manager and is manipulated in the case scenario at two levels (Lower, Higher). *Target Difficulty* is manipulated at two levels (Low, High). *Delegation* is measured as participants' response to the question "[...] what would you do in the current situation?" on a seven-point Likert scale with anchors (1) "I would definitely keep the new client for myself", (4) "I would be indifferent about who is in charge of the new client", and (7) "I would definitely assign the new client to Robert".

Moreover, unlike in our main experiment but consistent with H3, we find a significant interaction effect of relative ability and target difficulty on delegation ( $F = 5.26$ ,  $p = 0.023$ ).<sup>14</sup> As illustrated in Panel C of Fig. 1, the tendency to delegate a task to a subordinate increases more strongly in the relative ability of the subordinate versus the manager when target difficulty is low than when target difficulty is high.

Taken together, the results from the main and the supplemental experiment provide strong evidence that managers have a stronger tendency to delegate a task to a subordinate when the subordinate has higher ability to handle the task. More importantly, we find consistent evidence that managers have a stronger tendency to delegate a task to a subordinate when the performance target for the task is more difficult (i. e., when the target will likely be missed). The consistent results we find using a third-person scenario and a second-person scenario provide robust evidence for our underlying theory and its generalizability. In addition, in the supplemental experiment, when participants are asked to make the delegation decisions as the managers themselves rather than predicting what someone in the manager's position will do, they are expected to internalize the case more and we find that participants are more concerned with avoiding blame than claiming credit, consistent with our theoretical reasoning based on negativity bias and loss aversion.

<sup>14</sup> If we test our hypotheses using only the data from a reduced sample of 138 participants who passed all manipulation checks we find results that are inferentially identical. Specifically, untabulated results show significant main effects of relative ability ( $F = 176.84$ ,  $p < 0.001$ ) and target difficulty ( $F = 29.46$ ,  $p < 0.001$ ) and a significant interaction effect ( $F = 10.64$ ,  $p = 0.035$ ).

## 5. Conclusion

While there is a large literature on the optimal allocation of decision-making rights in organizations, we know very little about how managers actually assign tasks and responsibilities among the people in their department. In this paper, we focus on one specific type of task allocation decision that managers often make: whether to perform a task themselves or instead delegate it to a subordinate. We reason that while managers will tend to do what is best for the firm (i.e., assigning the task to the person with higher ability), their image concerns constitute an important caveat. Specifically, we theorize that managers will be more likely to delegate tasks for which more difficult performance targets have been set. The reason is that they are motivated to assume personal credit for achieving targets and to avoid personal blame for missing targets, both in their own eyes and in the eyes of others.

The results from an experiment with 296 participants with experience in managerial positions largely confirm our general reasoning and show that delegation is affected by the relative ability of the subordinate versus the manager and by target difficulty. Most importantly, our results show that, regardless of what managers *should* do to maximize firm profit and their own pay, delegation is always higher in the presence of more difficult targets. Additional analyses support our theoretical reasoning and show that difficult (easy) targets can lead to over-delegation (under-delegation). The results from our main experiment did not support our prediction that managers' tendency to delegate increases more strongly in the relative ability of the subordinate versus the manager when target difficulty is low than when target difficulty is high. The results of a supplemental experiment using a second-person scenario do support this predicted interaction, and suggest that the lack of support in the main experiment may be due to our use of a third-person scenario which does not sufficiently immerse participants in the case scenario to detect more subtle effects.

As explained in more detail in the Introduction section, our study contributes to the accounting literatures on delegation, performance targets, and the role of middle managers in the use of management control systems. Of course, when drawing implications from our findings, it is important to take into account the study's limitations. One such limitation is that we used an experiment based on a hypothetical scenario. While this approach is well-established in the behavioral (accounting) literature, future research is needed to confirm that our results hold in a setting with more direct incentives, e.g., in an interactive laboratory experiment or in the field.

Some specific aspects of the scenario warrant separate mentioning as these provide potential caveats when generalizing our conclusions to other settings. For example, we ensured that participants in the low target difficulty conditions knew that the target will be achieved and participants in the high target difficulty conditions knew that the target will not be achieved. Clearly, such situations can exist in practice (Indjejikian et al., 2014; Arnold and Artz, 2015). However, more commonly, there will be some uncertainty as to whether the target will

be achieved, and assigning the task to the person with higher ability will increase the probability of target achievement. To prevent potential confounds and maximize internal validity, we did not incorporate this uncertainty in our experimental design. However, even with the potential uncertainty, we expect our theory to hold. That is, we expect that managers will still be motivated to directly claim credit and avoid blame and that such motives will in general play a role in their delegation decisions. That said, more research is needed to establish how target difficulty affects delegation when uncertainty about target achievement is present.

In addition, an implicit assumption in our experiment is that corporate management has not deliberately set the target at an easy or difficult level. This assumption is potentially important because achieving a difficult target will likely lead to more credit than achieving an easy target while failing to achieve a difficult target will be associated with less blame than failing to achieve an easy target. In practice, it is not uncommon that performance targets are exogenously determined by factors such as industry norms, competitive forces, or higher-level corporate goals. With that said, we are looking forward to future research that looks at a setting where corporate management has deliberately set the target at a relatively low or high difficulty level. While we have no reason to believe that our theory and conclusions would not generalize to such a setting, it would be interesting to see how managers make their delegation decisions if the costs and benefits of delegation are less clear. More generally, we believe that it would be fruitful if accounting researchers focused their research efforts on delegation, as it is clear that this third leg of the "three-legged stool" of organizational architecture (Brickley et al., 2004) has received much less attention than its two counterparts: compensation structure and performance measurement.

Lastly, one interesting and unanticipated implication of our study is that the framing of vignettes, i.e., the use of a second-person versus a third-person frame, can influence outcomes and that researchers should carefully consider which framing is most appropriate to test their research question. While we are not the first to notice this, no study that we are aware of systematically analyzes the use of alternative frames. Clearly, there is room for future research here.

## Data Availability

Data will be made available on request.

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## Appendix

### Research Instrument

This Appendix presents the case scenario used in both experiments. The scenario is written in a third-person perspective in the main experiment and in a second-person perspective in the supplemental experiment. Where the scenario used in the supplemental experiment differs from the scenario used in the main experiment, we indicate the wording used in the supplemental experiment in brackets.

**All conditions**

Mark is [You are] the director of a regional office of ABC Inc, a consulting firm. ABC Inc. has 28 regional offices located throughout the United States, the UK, Europe, and the Far East. Mark's [Your] regional office employs 72 full-time consultants. There are three vice-directors in the office (Clara, Lisa, and Robert), and they report to Mark [you]. Mark [You] and the vice-directors receive a fixed salary, and in addition they [you] all participate in a corporate-level profit-sharing program that pays a bonus based on the profitability of the firm. A couple of days ago Mark [you] received a phone call from the corporate CEO of ABC Inc. The CEO contacted Mark [you] to inform him that ABC Inc. accepted a new client: a Finnish retail chain. The client is interested in entering the market in Mark's [your] region and needs an in-depth analysis of the local business environment, including detailed profiles of competitors, surveys of potential customers, and research into the local labor and real estate markets. Mark's [Your] office will be responsible for this new client.

**Low target difficulty conditions**

**High target difficulty conditions**

Mark's [Your] office has experience with similar jobs and he is [you are] confident that his [your] office will be able to provide the required services to the client. Moreover, after analyzing the client's specific requests and talking with the client's representatives, Mark is [you are] convinced that the engagement will be a success. Specifically, during the phone call, the CEO informed Mark [you] about the target that the corporate management team set for the profitability of the new client. Based on his [your] analysis, Mark concludes [you conclude] that this is an easy target and he believes [you believe] that it will be no problem for his [your] office to achieve the target.

Mark's [Your] office has experience with similar jobs and he is [you are] confident that his [your] office will be able to provide the required services to the client. However, after analyzing the client's specific requests and talking with the client's representatives, Mark is [you are] convinced that the engagement will be a disappointment. Specifically, during the phone call, the CEO informed Mark [you] about the target that the corporate management team set for the profitability of the new client. Based on his [your] analysis, Mark concludes [you conclude] that this is a challenging target and he believes [you believe] that there will be no way for his [your] office to achieve the target.

**All conditions**

As regional office director, Mark now needs [you now need] to decide whether he keeps [you keep] the client for himself [yourself] or, instead, assigns [assign] the client to one of the vice-directors. It is common for the director and the vice-directors to be in charge of specific clients; in fact, all four of them [you] have a portfolio of clients. The person who is in charge of a client makes all the important decisions related to that client. For example, he/she sells specific services to the client, negotiates the pricing of these services, assigns staff members to specific tasks, and makes decisions about investments in, for example, industry-specific knowledge and databases. Currently, vice-directors Clara and Lisa do not have any capacity to take on new clients, but Mark himself [you yourself] and vice-director Robert do. Thus, Mark's [your] decision boils down to a choice between keeping the client for himself [yourself] or assigning the client to Robert.

Subordinate lower ability condition	Low target difficulty conditions		High target difficulty conditions		
	Equal ability condition (Main experiment only)	Subordinate higher ability condition	Subordinate lower ability condition	Equal ability condition (Main experiment only)	Subordinate higher ability condition
Mark believes [You believe] that his [your] specific knowledge and experience put him [you] in a better position to serve the new client than Robert. Hence, if he keeps [you keep] the client for himself [yourself] the profitability of the engagement will be higher than if he assigns [you assign] the client to Robert. However, Mark is [you are] very confident that the profitability target set by the corporate management team will be achieved, regardless of whether he keeps [you keep] the client for himself [yourself] or assigns [assign] the client to Robert. Thus, in both cases the engagement will be considered a success. Notably, this is Mark's [your] private assessment and he has not [you have not] shared this information with the CEO, Robert, or anyone else.	Both Mark and Robert have the specific knowledge and experience that is required to serve the new client. Hence, Mark has no reason to believe that he will do better or worse than Robert. In fact, Mark is very confident that the profitability target set by the corporate management team will be achieved, regardless of whether he keeps the client for himself or assigns the client to Robert. Thus, in both cases the engagement will be considered a success. Notably, this is Mark's private assessment and he has not shared this information with the CEO, Robert, or anyone else.	Mark believes [You believe] that Robert's specific knowledge and experience put Robert in a better position to serve the new client than himself [yourself]. Hence, if he assigns [you assign] the client to Robert the profitability of the engagement will be higher than if he keeps [you keep] the client for himself [yourself]. However, Mark is [you are] very confident that the profitability target set by the corporate management team will be achieved, regardless of whether he keeps [you keep] the client for himself [yourself] or assigns [assign] the client to Robert. Thus, in both cases the engagement will be considered a success. Notably, this is Mark's [your] private assessment and he has not [you have not] shared this information with the CEO, Robert, or anyone else.	Mark believes [You believe] that his [your] specific knowledge and experience put him [you] in a better position to serve the new client than Robert. Hence, if he keeps [you keep] the client for himself [yourself] the profitability of the engagement will be higher than if he assigns [you assign] the client to Robert. However, Mark is [you are] very confident that the profitability target set by the corporate management team will not be achieved, regardless of whether he keeps [you keep] the client for himself or assigns [assign] the client to Robert. Thus, in both cases the engagement will be considered a disappointment. Notably, this is Mark's [your] private assessment and he has not [you have not] shared this information with the CEO, Robert, or anyone else.	Both Mark and Robert have the specific knowledge and experience that is required to serve the new client. Hence, Mark has no reason to believe that he will do better or worse than Robert. In fact, Mark is very confident that the profitability target set by the corporate management team will not be achieved, regardless of whether he keeps the client for himself or assigns the client to Robert. Thus, in both cases the engagement will be considered a disappointment. Notably, this is Mark's private assessment and he has not shared this information with the CEO, Robert, or anyone else.	Mark believes [ You believe] that Robert's specific knowledge and experience put Robert in a better position to serve the new client than himself [yourself]. Hence, if he assigns [you assign] the client to Robert the profitability of the engagement will be higher than if he keeps [you keep] the client for himself [yourself]. However, Mark is [you are] very confident that the profitability target set by the corporate management team will not be achieved, regardless of whether he keeps [you keep] the client for himself [yourself] or assigns [assign] the client to Robert. Thus, in both cases the engagement will be considered a disappointment. Notably, this is Mark's [your] private assessment and he has not [you have not] shared this information with the CEO, Robert, or anyone else.

**All conditions**

As regional director, Mark has [you have] quarterly meetings with the CEO and the other members of the corporate management team to discuss the performance of his office. During these meetings Mark [you] also talks [talk] about the performance results for specific clients. In preparation of each quarterly meeting, the person in charge of a client writes a report outlining his/her actions and the client results in the past period.

*(continued on next page)*

(continued)

## Low target difficulty conditions

## High target difficulty conditions

Mark is [You are] certain that the new client will be on the agenda for the next quarterly meeting, and therefore either he himself [you yourself] or Robert will have to write a report on the client. Because the results for the new client will be above the profitability target, Mark is [you are] sure that the CEO and the management team will be very satisfied, no matter whether he [you] or Robert is in charge of the new client.

Mark is [You are] certain that the new client will be on the agenda for the next quarterly meeting, and therefore either he himself [you yourself] or Robert will have to write a report on the client. Because the results for the new client will be below the profitability target, Mark is [you are] sure that the CEO and the management team will be very disappointed, no matter whether he [you] or Robert is in charge of the new client.

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