

## **General Instructions**

Thank you for your participation in this study. All of the procedures used will be exactly as they are described in these instructions. The study should last approximately 20 minutes. Before beginning, please remove any distractions that may affect your ability to complete the study. Others will be completing the study at a later time, so please do not discuss the study with anyone. During the study, you will not be able to go "back" to previous screens.

This is a study on decision making in an organizational setting. Your decisions will remain completely anonymous. We will not be able to relate your responses to you individually.

You will receive \$3.00 as a participation fee. You may receive additional compensation, as explained to you in these instructions. As long as you complete all parts of the study, you will receive your compensation, regardless of the decisions you make during the study.

Prior to completing your task, you will read a set of instructions that describe the task and your compensation for the task, and you will complete a brief quiz to check your understanding of the instructions. Following your task, you will complete a brief questionnaire.

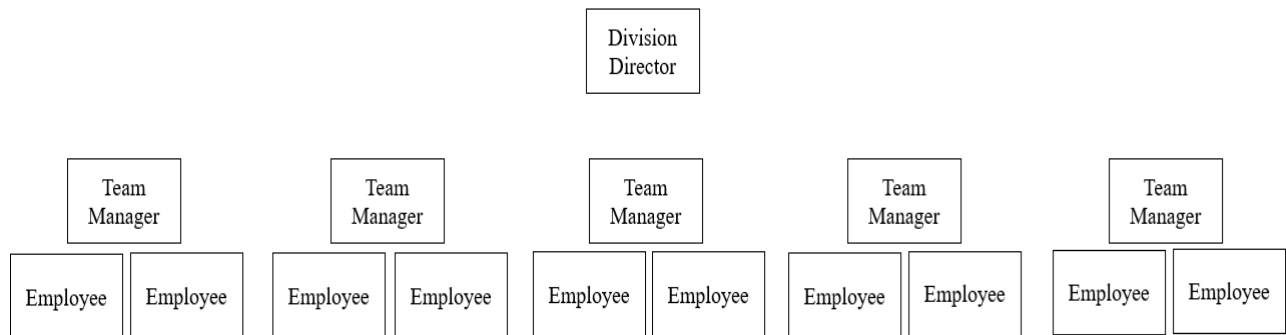
Please proceed to view your task instructions.

## Task Instructions

### Roles

You and every other participant in this study will be assigned the role of either **Division Director**, **Team Manager**, or **Employee** in a manufacturing company. All participants within a particular role will complete the same tasks.

Each division of the company is managed by a division director and is organized into five or more teams of three, each made up of two employees and one manager.



You have been assigned the role of **Division Director**. You will be matched with five or more teams each consisting of one team manager and two employees (we will refer to them as Employee A and Employee B). You will all remain matched together for the duration of the study.

As explained in more detail on the next page, you will work on your task independently from other participants. You will not need to communicate with any other participants at any time during the study, and you will all remain anonymous to each other and to others throughout the study.

## **Task**

Your division consists of five or more teams. Each team of two employees is supervised by one team manager.

### **Team Managers and Employees will be completing the following task.**

Each employee has limited resources that they are responsible for allocating each period to either their own individual project or a project being conducted jointly with the other employee on their team. Your division, and the company as a whole, are more successful when teams allocate greater resources to joint projects. As a result, you – and team managers – can achieve higher payoffs when employees allocate greater resources to joint projects.

Employees' task each period is to decide whether to allocate a high level of resources to their team's joint project. They will earn revenue based on their investments in the joint project.

If an employee chooses a high level of resources, they will incur a cost of 15 points. If they choose a low level of resources, they will incur no cost (0 points).

The joint project's revenue increases with the level of resources allocated to it by each employee according to the following:

- If both employees choose low resources, joint project revenue = 15 points
- If one employee chooses low resources and one employee chooses high resources, joint project revenue = 45 points
- If both employees choose high resources, joint project revenue = 75 points

Joint project revenue will be split equally between the two employees and the team manager, no matter what level of resources either of them allocates to the project. Thus, an employee's payoff in points for a period will be equal to  $1/3^{\text{rd}}$  of the joint project's revenue minus the cost of the resources they allocate.

Team managers' payoffs in points for a period will be a salary of 25 points, plus  $1/3^{\text{rd}}$  of the joint project's revenue.

Points will be converted to dollars at the end of the study at a rate of 100 points = \$1.00.

As division director, you will receive a bonus of \$5.00 if high resources are chosen in at least 25% of all employee-periods (an employee-period is the decision made by each employee – A or B – in each period). Your bonus will increase to \$10.00 if high resources are chosen in at least 50% of all employee-periods, and to \$15.00 if high resources are chosen in at least 75% of all employee-periods.

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Employee A and Employee B on each team have the option to include a project audit function **for their team only**. Specifically, they can choose to have a company auditor check project results. If they choose this option, there will be an 80% likelihood that the auditor checks project results in any particular period. Additionally, if an audit is conducted, any employee who has allocated high resources to the joint project in that period will be awarded a bonus of 15 points.

Before beginning their task, Employee A and Employee B will indicate whether they wish to include the audit function. Employees will be formed into teams based on their response, and so each team will consist of two employees who both elected to include or not include the audit function. Employees will learn whether the project audit function will be included in their task before their first work period.

They will then complete their task for a number of periods, receiving results at the end of each period. The results of each period have no effect on subsequent periods.