

## **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. Additionally, you will earn money based on tasks you complete during the study, as explained to you in these instructions. Specifically, you will earn points during your tasks. The points you earn will be converted into dollars at a rate of \$1.00 for every 100 points. 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 each 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 tasks, you will complete a brief questionnaire.

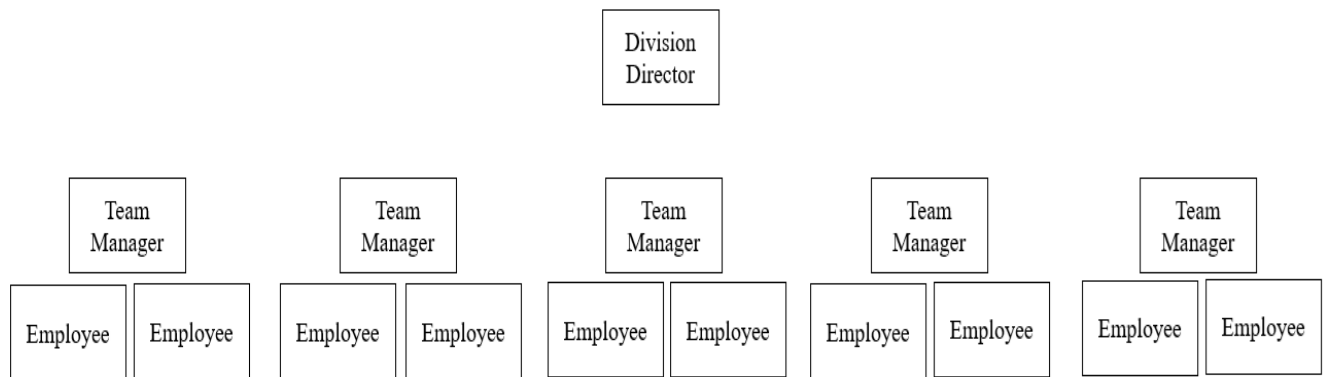
Please proceed to view your task instructions.

## Task Instructions

### Roles

You and every other participant have been 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 team manager.



You have been assigned the role of **Team Manager**. You will be matched with two other participants in the role of employee (we will refer to them as Employee A and Employee B) and assigned to a division managed by a division director. 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 tasks 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

You are supervising a team of two employees.

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 your team. Each division in the company, and the company as a whole, are more successful when its teams allocate greater resources to joint projects. As a result, each team manager and each division director 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 your 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 1/3rd of the joint project's revenue minus the cost of the resources they allocate.

Your payoff in points for a period will be a salary of 20 points, plus 1/3rd of the joint project's revenue.

As noted earlier, points will be converted to dollars at the end of the study at a rate of 100 points = \$1.00.

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Employee A and Employee B have the option to include a project audit function **for your 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.