

## General Instructions:

Thank you for your participation in this experiment. All of the procedures used will be exactly as they are described in these instructions. The experiment should last approximately 40 minutes, and must be completed in one sitting. Before beginning, please remove any distractions that may affect your ability to complete the experiment. Others may be completing the experiment at a later time, so please do not discuss the experiment with anyone. During the experiment, you will not be able to go "back" to previous screens.

Each participant is guaranteed to receive at least \$2.00 as a participation fee. As explained below, you will have the opportunity to earn additional compensation (which will be between \$0 and approximately \$7.00) during the experiment. Your total earnings, including the \$2.00 participation fee, will be paid to you via your Amazon Mechanical Turk account. **As long as you complete all parts of the experiment, your work will be “approved” on Mechanical Turk, regardless of the decisions you make during the experiment.**

To protect your identity, we have randomly assigned you a participant number. This number will be used to collect information about what you do during the experiment, and will be used to pay you at the end of the experiment.

In this experiment, you will complete two decision-making tasks. 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 each task, you will complete a brief post-task questionnaire. After completing all tasks, you will be provided with a study code to enter into your HIT assignment in order to receive your compensation.

Please proceed to view your first task instructions.

## Task Instructions & Compensation:

You are a division manager in a firm that manufactures a variety of products. In addition to your division, your firm has a second division that is the same size as yours and is managed by another participant in this experiment. Thus, you and another participant will form a group of two managers for this task.

As division manager, your responsibilities include making decisions about how to assign your division's limited resources each period to an individual project being conducted by your division alone and to a second project being conducted jointly with your firm's other division. Senior management has expressed a clear preference that you and the other division manager assign a high level of resources to the joint project.

Due to resource constraints, you can only assign a high level of resources to one of the two projects. As such, if you assign a high level of resources to the joint project, you will in turn assign a low level of resources to the individual project. Conversely, if you assign a low level of resources to the joint project, you will in turn assign a high level of resources to the individual project. The other division manager faces the exact same decision as you for this task.

You will complete the resource assignment task for several independent periods, and will remain paired with the same division manager each time. In each period, you and the other division manager will make your resource assignment decisions, and will learn the results for both divisions.

Your compensation for this task will be determined by your division's overall profitability in **one randomly selected period of the several you will complete**. Your division's profitability will be calculated as:

$$\begin{array}{rcl} & \text{Share of joint project revenue} & \\ + & \text{Individual project revenue} & \\ - & \text{Allocated common costs} & \\ \hline = & \text{Profit} & \end{array}$$

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The joint project's revenue is **split equally between your division and your other group member's division**, no matter what level of resources each manager assigns to the project. The joint project's revenue increases with the level of resources assigned to it by both managers, as follows:

If both managers assign low resources, joint project revenue = 600 total points (300 per division).

If one manager assigns low resources and one assigns high resources, joint project revenue = 1000 total points (500 per division).

If both managers assign high resources, joint project revenue = 1400 total points (700 per division).

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Revenue from your division's individual project is returned to your division alone, and increases with the level of resources assigned to it, as follows:

If you assign low resources, individual project revenue = 300 points.

If you assign high resources, individual project revenue = 600 points.

Each division's potential project payoffs are identical. That is, your firm's other division manager has the same project options as you, with the same potential payoffs.

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The firm's common support costs are allocated (or divided up) between your division and your other group member's division. Your firm has decided to allocate these costs, which total 500 points each period, to each of the two divisions based on the portion of total firm revenue generated by the division for the period.

For example, suppose your division's total revenue (your share of joint project revenue + your individual project's revenue) is 800 points, and the other division's total revenue is 1100 points. Total firm revenue from projects for the period would be  $(800 + 1100 = )$  1900, of which your division generated 42%  $(800 / 1900, \text{rounded to the nearest whole } \%)$ . Your division would be allocated 42% of the common costs of 500, or 210, while the other division would be allocated 58% of the common costs, or 290. Thus, the costs you are allocated depend on both the revenue generated in your division and the revenue generated in your group member's division.

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In the period randomly chosen for compensation, your division's profit will be converted to dollars (\$) for payment using the following schedule:

Division Profit	Bonus
0-500	\$0
501-590	\$1.00
591-680	\$2.00
681-770	\$3.00
771-860	\$4.00

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For illustrative purposes, consider the following compensation examples:

1. In the period randomly chosen for compensation, a participant assigned a low level of resources to the firm's joint project and a high level of resources to their individual project. In the same period, the participant's other group member assigned a low level of resources to the firm's joint project and a high level of resources to their individual project. Profitability of the two divisions, and compensation, is then determined in the following way:

	Participant's division:	Other group member's division:
(a) Share of joint project revenue (600 × 50%)	300	300
(b) Individual project revenue	600	600
(c) Total division revenue (a + b)	900	900
(d) Proportion of total firm revenue generated by division (c / sum of ( c ) for both managers)	50%	50%
(e) Allocated common costs (d × 500)	250	250
Profit (c – e)	650	650

The participant's compensation for this task would be (per the schedule above): \$2.00.  
The participant's other group member's compensation for this task would be: \$2.00

2. In the period randomly chosen for compensation, a participant assigned a high level of resources to the firm's joint project and a low level of resources to their individual project. In the same period, the participant's other group member assigned a low level of resources to the firm's joint project and a high level of resources to their individual project. Profitability of the two divisions, and compensation, is then determined in the following way:

	Participant's division:	Other group member's division:
(a) Share of joint project revenue (1000 × 50%)	500	500
(b) Individual project revenue	300	600
(c) Total division revenue (a + b)	800	1100
(d) Proportion of total firm revenue generated by division (c / sum of ( c ) for both managers)	42%	58%
(e) Allocated common costs (d × 500)	210	290
Profit (c – e)	590	810

The participant's compensation for this task would be (per the schedule above): \$1.00.  
The participant's other group member's compensation for this task would be: \$4.00

Your total compensation for the experiment will include the compensation from this task, as well as compensation from the second task you will complete, and your \$2.00 participation fee.