

## 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.

In addition to the XX extra-credit points you will receive in your XXX course, you will have the opportunity to receive compensation for yourself and generate a payment for a charity of your choosing during the experiment. Any compensation you earn during the experiment will be paid in cash before you leave the lab. **As long as you complete all parts of the experiment, you will receive your extra credit and compensation, 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. No one (including the administrators of this study) will be able to associate your responses in today's study to you personally.

Next, you will read a set of instructions that describe your task and how your compensation will be determined. You will then complete a brief quiz to check your understanding of the instructions. Following the task, you will complete a brief questionnaire.

Please proceed to view your task instructions.

## **Background**

For the duration of this experiment, imagine you are a manager at a consumer products company. The company has begun emphasizing the importance of social responsibility (i.e., doing good for the community, environment, and/or employees), and has started a program to increase its participation in socially responsible activities. One of the company's goals is to engage in more corporate social responsibility and improve its social responsibility ranking compared to other companies in the industry. The rankings are compiled by an independent rating agency annually and are based on both the amount the company spends on socially responsible activities and on the social impact of those activities. The rankings are important because they may affect how the company is perceived by the community, investors, and the company's own employees.

## **Task Instructions**

There are five managers, including you, in your company. The five managers in your company will consist of you and the other four participants sitting near you in the same color group (e.g., blue, green, or red). All five managers will be making the same decisions for four identical performance periods (following one practice period).

As a manager, you are responsible for choosing how to use a discretionary budget provided by the company. In each period, you will have a \$6 budget. You can choose to invest any amount of the \$6 in socially responsible projects, which can result in a payment to a charity of your choice. Any portion of the budget that you do not invest in these projects will be kept for your own use.

Details on the socially responsible projects are provided on the following screens.

## Socially Responsible Projects

Socially responsible projects can have impact at the national, state, or local levels. Each type of project is assigned a potential social impact score, with more impactful projects receiving higher scores.

However, projects with greater potential social impact have a lower probability of success because they are more complex and difficult to implement. Projects with lower potential social impact have a higher probability of success because they are simpler and easier to implement.

When deciding how much of your discretionary budget to invest in socially responsible projects, you can choose one project or divide your investment between multiple projects. The potential social impact scores and probabilities of success for each project are shown below:

Project	Potential Social Impact Score	Probability of Success
National	6	1/3 chance of success; 2/3 chance of failure
State	3	2/3 chance of success; 1/3 chance of failure
Local	2	3/3 chance of success; 0 chance of failure

The outcomes of your investments in socially responsible projects are determined by the dollar (\$) amount invested, the potential social impact score, and the probability of success.

For example, if you invest \$4 in the state-level project with a potential social impact score of 3, there is a 2/3 chance that the project will be successful and a 1/3 chance that it will fail. If the project is successful, the total return on your investment (to a charity of your choosing) will be \$12 (\$4 investment \* 3 impact score). If the project fails, the total return on your investment will be \$0.

The success or failure of each project will be determined by a random draw based on the probabilities shown above after all four periods have been completed. The draw is independent for each project and each period. The draw for each manager is also independent of the outcome of the draws of the other four managers.

Your company also determines an “impact score” for each manager in each period. If you choose to invest only in one project, your impact score will be the potential social impact of the project in which you invested (as shown above). For example, if you invest solely in the state project, your impact score for that period will be 3. If you choose to divide your investment between multiple projects, your impact score will be the weighted average of the potential social impact of the projects in which you invested. For example, if you split your investment equally between the national and local projects in a given period, your impact score would be determined as follows:

$$(6 \text{ National} * 50\%) + (2 \text{ Local} * 50\%) = 4$$

## Performance Reports

At the end of each period, your company will provide you with a report of:

1. The **total (\$) investments** that you have made in socially responsible projects.
2. Your **total impact score**, which is equal to the weighted average (based on the total dollar amounts of your investments) of the potential social impact of projects in which you've invested.
3. The **total potential return** of your investments, which is equal to the sum of the dollar amount of each of your investments multiplied by its potential social impact score.

The final outcomes of your investments will be determined after all four periods are completed.

In addition, you will receive information on the **total dollar (\$) investments** the other four managers have made in socially responsible projects (from all periods). The company will use this information to rank all five managers. Therefore, each manager will know how the total dollar amount that s/he has invested in socially responsible projects compares to that of the other managers.

## Compensation and Payments

Your compensation and any payment to charity will be based on your decisions from **one randomly chosen period**.

Your total compensation will be equal to a \$1 fixed salary that your company pays to each manager, plus the portion of the discretionary budget you did not invest in socially responsible projects.

For example, suppose that in the period that was randomly chosen to determine compensation, you invested \$4 in socially responsible projects – all of which you invested in the state-level project. Your total compensation for the study would be:

Salary	\$1.00
Discretionary budget funds retained (\$6 - \$4)	\$2.00
Total compensation	\$3.00

In addition, if the project(s) in which you invested in the randomly-chosen compensation period is/are successful, the charity you designate will receive the amount that you invested multiplied by the social impact score for that period. The outcome of each project will be determined from a random computer-generated draw based on the probabilities described earlier. For example, if successful, the \$4 investment in a state-level socially responsible project above would result in a \$12 payment ( $\$4 * 3$  social impact) to the charity of your choice.

All payments to charity generated by your actions and the actions of other participants will be made directly to the chosen charities. Receipts with your participant ID# will be posted on the following website (<http://tbd>) by XX-XX-XXXX. (This information will be repeated at the end of the experiment).