Employee Learning of Firm Selective CSR Disclosure and Its Impact On Employee Opportunism.

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EMPLOYEE LEARNING OF FIRM SELECTIVE CSR DISCLOSURE AND ITS IMPACT ON EMPLOYEE OPPORTUNISM

by

Zhiping Mao

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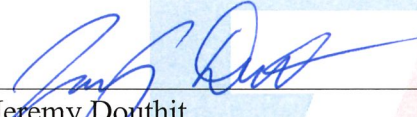
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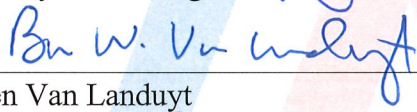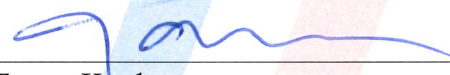
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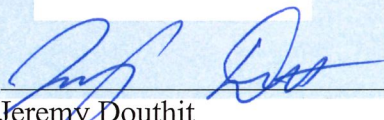
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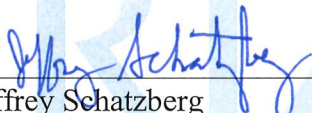
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DEDICATION

This dissertation is dedicated to my husband, Zachary David Harns. Thank you for your love and support during my Ph.D. journey. I could not have accomplished this hardship without you. You left everything you know behind so I could live this dream and I will never forget the countless times you went out of your way to make my life easier. The past five years have been exhausting, both physically and emotionally. There were times where I almost gave up and you were the reason that I persisted. You always sense my fears, my worries, and my anxieties even before I realize them. Thank you for knowing me so well and for cheering me up during those dark times. Cheers to the end of this chapter and I look forward to the exciting next chapter of our life!

<div align="center">

Life has given me hundred reasons to cry but I just need one reason to smile.
You are the reason I smile.

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ABSTRACT

This study examines whether an employee is more opportunistic upon learning about their firm's choice to opportunistically engage in selectively disclosing its corporate social responsibility (CSR) information to the public. Increased employee proximity and engagement in CSR gives an employee better knowledge of CSR, enabling the employee to realize the *incomplete* CSR disclosure. I measure employee opportunism using two independent employee behaviors: performance reporting and effort. I find that an employee misreports performance more and expends lower effort upon learning about the selective CSR disclosure action, but only when such an action is motivated by firm opportunism. I further find that an employee's social norm conformity (i.e., behaving opportunistically after seeing others' opportunistic behaviors) underlies this effect. This study contributes to the literature by showing how average employees respond to a firm's selective CSR disclosure. This study also provides implications to practice by highlighting a firm's action to increase employee proximity and engagement in CSR, which has become increasingly prevalent in practice, could potentially backfire as it gives employees better knowledge of CSR. To the extent that this knowledge enables the employees to realize the firm's opportunistic disclosure action, I show undesired employee behaviors as a consequence.

CHAPTER I. INTRODUCTION

CSR has become a common firm practice due to its impact on firms' long-term financial viability and success (Preston 2001; Eweje 2011). Firms can further reap the benefits of CSR by utilizing it to positively influence and align employee behaviors with firm goals. For example, by increasing employee proximity and engagement in CSR (e.g., making CSR more salient to employees, actively involving employees in CSR decision-making, and letting employees participate in CSR activities, etc.,) firms often achieve greater employee morale, job satisfaction, and effort (e.g., Mamantov 2009; Lee, Park, and Lee 2013; Gerhards 2015). This way of informally controlling and directing employee behavior to achieve organizational outcomes makes CSR, in essence, part of a firm's informal control system (Eisenhardt 1985; Cardinal, Sitkin, and Long 2004). While prior research focuses almost exclusively on how such a control effectively induces positive employee behaviors, this study highlights that it can potentially *backfire* if it allows an employee to develop better knowledge of CSR. Specifically, I focus on a situation where an employee's better knowledge of CSR enables the employee to realize that the firm chose, for self-benefiting reasons, to *not* tell the full story about CSR when disclosing CSR information to the public. I examine whether employees will be more opportunistic as a result of learning about such an opportunistically-motivated selective CSR disclosure by their firm.

This research question is important for two main reasons. First, parallel to the increasing use and emphasis of CSR (e.g., Meier and Cassar 2018), firms' use of CSR as a part of their informal control system has become increasingly prevalent (e.g., Costas and Kärreman 2013; Laguir, Laguir, and Tchemeni 2019). Prior discussions generally focus on positive employee reactions to CSR (e.g., Balakrishnan, Sprinkle, and Williamson 2011; Douthit, Martin, and McAllister 2022). While knowing CSR can effectively induce positive employee behavior is

valuable, it is equally important for both research and practice to understand situations where CSR leads to *undesired* employee behavior. This study highlights that when a firm increases employee proximity and engagement in CSR to induce positive employee behaviors, a firm could simultaneously allow its employees to develop better knowledge of CSR. To the extent that this better knowledge reveals the firm is engaging in opportunistic CSR disclosure to the public, the attempt to use CSR to induce positive employee behaviors could be reduced or even backfire by encouraging undesirable norms to develop in employees.

Second, selective CSR disclosures, as examined in this study, are common in practice because CSR disclosures are voluntary, unregulated, and difficult to verify (e.g., Marquis, Toffel, and Zhou 2016; SASB 2017a; SASB 2017b). One type of CSR information commonly downplayed or excluded from CSR disclosures is the self-benefiting aspects and motives behind CSR. The public often discredits a firm's good intentions for engaging in CSR when the CSR can be interpreted as self-benefiting (Benabou and Tirole 2010; Newman and Cain 2014). As a result, a firm is incentivized to take advantage of the information asymmetry between the public and the firm by selectively disclosing CSR information that depicts the firm in the most *altruistic* way to avoid such a "*tainted altruism.*" This study focuses on settings whereby employees are more likely to recognize such an opportunistic disclosure action—when their own knowledge of CSR allows them to evaluate the "incompleteness" of the firm's CSR disclosure. The use of CSR as part of the informal control system entails greater employee proximity and engagement in CSR, which generates such knowledge in employees. I utilize this unique group of firm stakeholders with a more comprehensive set of CSR information to examine this important but under-researched accounting issue.

I develop my hypothesis using social norm theory. A social norm articulates what others would do in a given situation (Perkins and Berkowitz 1986; Cialdini 1993; Cialdini and Trost 1998). A firm's action conveys to its employees how others behave within the same workplace, which fosters an environment where similar behavior is seen as more acceptable (Sliwka 2007; Cardinaels and Yin 2015). The employees, in turn, conform to such a social norm by behaving similarly (Lucas and Koerwer 2004; Tourish and Vatcha 2005). In the context of this study, a firm's decision to take advantage of the information asymmetry between the firm and the public by selectively disclosing CSR information to benefit themselves is a form of opportunistic behavior. Such a behavior conveys that others within the workplace also behave opportunistically, which fosters an environment where opportunistic behaviors are considered more acceptable, leading employees to conform to this norm and behave more opportunistically.

While social norm theory predicts that a firm's opportunistic action will lead to its employees' own opportunism, the uniqueness of the CSR setting makes an employee's reaction to opportunistic CSR disclosure less clear. For example, a firm's decision to engage in CSR is voluntary and creates benefits to the broader society. A firm's self-interested consideration does not erase the fact that a voluntary choice created prosocial benefits from CSR. Further, self-interest considerations are likely justifiable to employees, given the profit-maximizing nature of firms. Finally, firms' opportunistic disclosure action is likely more justifiable to employees as there is no clear standard regarding what CSR information to disclose. As a result, the uniqueness of the CSR setting creates a strong tension for the social norm theory.

I study employee opportunism by focusing on two independent employee behaviors: 1) performance misreporting *to the firm* and 2) shirking in effort contribution to a joint project *with another employee*. Social norm theory predicts that an employee will behave opportunistically

not only towards the party whose behavior fosters the opportunistic environment in the first place (i.e., the firm) but also towards other *unrelated* parties within the same workplace (i.e., their peer employees). Finding an effect on both behaviors provides strong evidence supporting social norm theory. I predict that an employee will misreport performance more and expend less effort upon learning of their firm's opportunistic disclosure action.

I test my research question using an online experiment conducted via Amazon Mechanical Turk with a between-subjects nested factorial design. All participants assume the role of an employee. Regardless of the condition an employee is in, s/he always has CSR information disclosed by the firm. The first factor I consider represents whether the firm's selective CSR disclosure action is learned by the employee (*learned* vs. *not learned*). In the *learned* condition, an employee has self-observed CSR information (i.e., CSR information acquired by the employee) in addition to the CSR disclosure. Therefore, employees' added knowledge of CSR allows them to realize that the firm's CSR disclosure is incomplete. Nested within the *learned* condition, the firm's selective disclosure choice is either motivated by firm opportunism or not (*learned-opportunism* vs. *learned-no opportunism*). In the *learned-opportunism* condition, an employee can recognize that, to benefit themselves, the firm opportunistically excluded from their CSR disclosure the firm's benefit from the CSR activity to appear more selfless to the public. In the *learned-no opportunism* condition, the selective disclosure is due to the firm's compliance with firm policy rather than for self-benefit. Finally, in the *not learned* condition, an employee does not have the information required to realize the disclosure is incomplete and, thus, does not learn about the selective disclosure action.

I find that participants misreport their performance to a greater extent and provide less effort in the *learned-opportunism* condition than in either the *not learned* or *learned-no*

opportunism condition. Process measure evidence confirms that social norm conformity helps drive these effects. Also, the greater opportunism in the *learned-opportunism* condition relative to the *learned-no opportunism* condition provides further evidence that participants conform to the social norm to behave opportunistically based on their perception of their firm's motivation behind the selective disclosure choice and not solely the selective disclosure itself.

This study provides important implications for practice. First, this study cautions firms that the expected benefit of increasing employee proximity and engagement in CSR might not be *fully* realized. Specifically, this study highlights the possibility of knowledge acquisition through this process. To the extent that such knowledge enables employees to realize the opportunistic CSR disclosure, this study shows undesired employee behaviors as a consequence. Second, given that CSR disclosures are voluntary, unregulated, and difficult to verify, opportunistic CSR disclosures are common but difficult for the public to realize. This study cautions firms that, unlike the public, employees' evaluations of CSR not only depend on what they are "told" (i.e., disclosures) but also depend on their own knowledge of CSR. As a result, employees are more likely to learn about such an opportunistic action, leading to undesired employee behaviors.

This study also contributes the academic research on employee reactions to CSR. Prior research generally suggests non-negative employee reactions to CSR (e.g., Balakrishnan et al. 2011; Gerhards 2015; Douthit et al. 2022). A notable exception is Douthit, Mao, and Martin (2022), which suggests that employees react negatively to CSR if they are treated poorly by the firm and perceive CSR as consuming valuable resources that could have been used to improve employee treatment. While Douthit et al. (2022) focuses on how a firm's action toward its employees leads to negative reciprocity that is exacerbated by CSR, this study focuses on how a

firm's action toward outside parties (selective disclosure to the public) in a CSR setting can lead to the development of opportunistic norms that lead to undesired employee behaviors.

Finally, while this study focuses on the self-benefiting aspect of a CSR activity that gets intentionally omitted, the findings are likely to generalize to CSR settings where the information omitted is more "negative" (e.g., environmental side effects, unethical practices, etc.). Further, this study provides broader implications beyond CSR, as selective disclosure is a fundamental accounting issue. Understanding how average employees react to such a prevalent accounting issue is important but under-examined by prior research. This study utilizes the important and unique CSR setting where opportunistic CSR disclosures are extremely prevalent to examine a part of this broad question. The study shows that a firm's decision to disclose CSR information selectively leads to greater employee opportunism when the selective disclosure is opportunistic.

In the following chapters, I detail the background literature and the hypothesis development (Chapter II), and the method of testing the hypotheses (Chapter III). Chapter IV provides an analysis of the main results and supplemental tests. Chapter V summarizes the study and its findings, the contribution of the study, limitations of the study, and suggestions for future research.

CHAPTER II. BACKGROUND AND HYPOTHESES DEVELOPMENT

Background

CSR activities and disclosures are increasingly prevalent as CSR is an impactful market force for a firm's financial viability and success (e.g., Preston 2001; Eweje 2011; Meier and Cassar 2018). CSR activities are also costly. For example, according to the Giving USA 2021 Annual Report, just the direct cash donation alone reached an all-time high of $21 billion from Fortune 500 firms, which accounts for 2% of their total profit. Firms also invest significant

financial resources in other CSR-related activities, such as reducing carbon footprints, improving labor practices, participating in charity events, and much more. Further, information about CSR has become abundant and widely accessible. According to the KPMG Survey of Sustainability Reporting (2020), 80% of firms worldwide now report on sustainability, and 90% of firms in the U.S. make CSR disclosures. In addition to formal CSR disclosures, CSR information is informally disclosed to firm stakeholders via meetings, interviews, press releases, firm websites, advertisements, etc. The public's reactions to CSR are generally positive. Prior research shows a positive consumer reaction to firms' CSR that eventually leads to greater purchase intentions, increased sales, and market shares (Maignan, Ferrell, and Hult 1999; Boehe and Cruz 2010; Groza, Pronschinske, and Walker 2011) and CSR performance is also positively associated with capital market reactions (Dhaliwal, Li, Tsang, and Yang 2011; Dhaliwal, Radhakrishnan, Tsang, and Yang 2012; Flammer 2013).

To further reap the benefits of CSR, firms increasingly use CSR for informal control purposes. That is, firms utilize CSR strategies and actions to positively influence and direct employee behaviors, align employee interests with the firm interests, and achieve positive firm outcomes (Costas and Kärreman 2013; Laguir, Laguir, and Tchemeni 2019). For example, firms can increase employee proximity and engagement in CSR by frequently communicating with employees about firm CSR strategies and actions (either formally or informally), involving employees in CSR decision-making, and letting employees participate in CSR activities such as tree-planting, home-building for the poor, and charity events. By doing so, firms can often achieve positive outcomes such as higher morale and job satisfaction (Mamantov 2009; Lee et al. 2013); greater commitment and emotional attachment to their firms (Chong 2009); and greater willingness to self-develop themselves as a more responsible corporate citizen (Mirvis 2012).

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While knowing CSR can effectively induce positive employee behavior is valuable, it is equally important to understand when it triggers undesired employee behavior.

A recent study by Douthit et al. (2022) sheds light on factors that might negatively influence an employee's reaction to CSR. Specifically, they show that when an employee perceives that they are treated poorly by the firm and that CSR consumes valuable resources that could have been used to improve the treatment, the employee will respond to CSR by reducing their effort. Their effect is driven by the employee's perception of the firm as unfair and unkind, leading to a negative reciprocal response of withholding effort. While Douthit et al. (2022) shows that a firm's unfair action toward its employees can negatively affect their reaction to CSR, this study highlights that a firm's action toward others (e.g., selectively disclosing CSR information to the public) can lead to undesired employee behaviors.

Selective CSR disclosures are common in practice as they are voluntary, unregulated, and difficult to verify (e.g., Marquis et al. 2016). While common in practice, such an opportunistic disclosure action is less likely to be recognized by the general public due to their limited knowledge of a firm's CSR activities – what the public knows is generally what firms tell them. Unlike the public, employees are likelier to have a better knowledge of CSR. For example, firms commonly use CSR for informal control purposes (i.e., increasing employee proximity and engagement in CSR to positively influence and direct employee behaviors), which could simultaneously allow employees to develop better knowledge of CSR. To the extent that this knowledge enables an employee to realize that the firm chose, for self-benefiting reasons, to *not* tell the full story about CSR when disclosing CSR information to the public, this study examines whether the employee would behave opportunistically as a response.

Development of Hypothesis 1

While agency theory predicts an individual will behave self-interestingly to increase his/her own wealth without regard for others, behavioral research finds that is not always the case because of the utility s/he receives for adhering to social norms, such as honesty and altruism (e.g., Eisenhardt 1989; Hannan, Rankin, and Towry 2006; Rotemberg 2006; Rankin, Schwartz, and Young 2008; Douthit and Stevens 2015). Given that an individual's decisions are influenced by various factors, s/he is often conflicted about whether to behave self-interestingly or to also care about others' interests, even if behaving self-interestedly is the dominant wealth-maximizing choice.

External behavioral cues are most likely to influence and direct an individual's behaviors through social norms when such a conflict is present (Cialdini 1993; Cialdini and Trost 1998). For example, prior research finds that individuals are often conflicted about whether to drop litter for convenience or care about others' interests and not drop the litter. Cialdini, Reno, and Kallgren (1990) finds that a littered parking structure serves as an external behavioral cue that conveys to an individual how others behave, fostering an environment where litter-dropping behavior is now considered more acceptable. The conflict is resolved if the individual conforms to the social norm by behaving like others (i.e., dropping litter).[1]

Prior research suggests a firm's decision can also serve as an external behavioral cue that directs the employees' behaviors through social norms (Lucas and Koerwer 2004; Tourish and Vatcha 2005; Association of Certified Fraud Examiners 2006).[2] That is, a firm's decision conveys to its employees how others behave within the same workplace, which fosters an

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[1] Under the Cialdini's social norm framework, there are two forms of social norms: injunctive norms and descriptive norms. Injunctive norms describe *valued* social behaviors. Descriptive norms describe how *others* act in similar situations (Cialdini, Kallgren, and Reno 1990 and 1991; Schaffer 1983). This study focuses on the descriptive norm and how it direct individuals' behaviors as it is the most relevant to the study.

[2] Behavioral cues are external to employees because the behaviors are exhibited by others around the employees.

environment where a similar behavior is now considered more acceptable. If an employee

conforms to such a norm, s/he will behave accordingly (Cialdini 1993; Cialdini and Trost 1998).

For example, a firm's decision to choose an incentive contract over a fixed wage contract to

discourage misreporting is an external behavioral cue that conveys to its employees that others in

the same workplace are dishonest when reporting. This decision fosters an environment where

dishonest reporting is now considered more acceptable. An employee, in turn, will conform to

the social norm by also reporting dishonestly (Sliwka 2007; Cardinaels and Yin 2015).

In the context of this study, a firm's decision to take advantage of the information

asymmetry between the firm and the public by selectively disclosing CSR information to benefit

themselves is a form of opportunistic behavior. The firm's action serves as an external

behavioral cue that conveys to its employees that others in the same workplace behave

opportunistically when they can to self-benefit, which fosters an environment where

opportunistic behaviors are now considered more acceptable. When an employee is facing a

conflict between whether to behave opportunistically without considering the interest of others

(i.e., misreport performance and free ride) or to also care about others' interests (i.e., accurately

report performance and expend high effort), the firm's opportunistic action helps resolve such a

conflict. That is, an employee is likely to conform to this social norm (i.e., others behave

opportunistically) by behaving similarly.[3]

To conform to such a norm, an employee needs to *learn* about the firm's (i) selective

disclosure choice and (ii) opportunistic motivation behind the disclosure action (i.e., receiving

the behavioral cue). Specifically, the learning occurs if an employee's better knowledge of CSR

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[3] This study highlights that an employee receives additional utility for behaving opportunistically, after s/he conforms to the social norm. As a result, this additional utility is independent from the utility received from personal wealth, being honest and altruistic.

enables the employee to realize that the firm chooses, for self-benefiting reasons, to *not* tell the full story about CSR when disclosing CSR information to the public. The firm's opportunistic action serves as an external behavioral cue that conveys to the employee that others within the same workplace behave opportunistically, fostering an environment where opportunistic behaviors are considered more acceptable. When the employee conforms to the norm, s/he will also behave opportunistically. On the other hand, without learning about the firm's opportunistic disclosure choice, there is no external behavioral cue to behave opportunistically, and the employee is less likely to conform to the social norm by behaving opportunistically. As a result:[4]

H1: Employee opportunism is greater when a firm's opportunistically motivated selective disclosure is learned by an employee than when it is not learned.

Development of Hypothesis 2

While social norm theory predicts that a firm's opportunistic action will lead to its employees' own opportunism, the uniqueness of the CSR setting also creates strong tension to the theory. First, while the firm chose not to tell the public that the CSR activity also benefits the firm, the CSR activity itself does create benefits to the broader society, as accurately disclosed by the firm. Therefore, the CSR activity is indeed voluntary and prosocial. A firm's self-interest consideration or the selective disclosure action does not erase the voluntary or prosocial nature of the CSR action itself. Second, the firm is a business entity whose goal is to make a profit. As a result, having a self-interest consideration when engaged in CSR might be considered a "win-

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[4] The same predictions can be made using Bicchieri's (2006) social norm theory. Employees are likely to believe that others in the workplace expect them to behave opportunistically because of the firm's opportunistic behaviors (i.e., normative expectation). The normative expectation increases the likelihood that the social norm is activated. Employees adhere to the activated social norm by withholding effort and increase performance misreporting.

win" by the employees. Finally, CSR disclosure is voluntary and unregulated, meaning there is no clear standard regarding when and what CSR information to disclose. As a result, the firm must decide on its own what the best disclosure choice is for the firm at the time. All the reasons above collectively make an employee's response to the firm's selective CSR disclosure action much less clear.

Social norm theory suggests that for an employee to conform to the social norm and behave opportunistically, the employee needs to realize *both* (i) the selective disclosure action *and* (ii) the opportunistic motivation behind the action. I consider another situation where the selective disclosure itself remains present, but there is no opportunistic motivation behind it to ensure it is the motivation driving the selective disclosure rather than the selective disclosure alone that drives the prediction in H1. I would not expect a similar effect from selective disclosure that is not opportunistically motivated. Therefore:

H2: Employee opportunism is greater when selective disclosure is opportunistically motivated than when it is not opportunistically motivated.

CHAPTER III. METHOD

Experiment Overview

To test my hypotheses, I conduct an online experiment with 384 participants from Amazon's Mechanical Turk (MTurk).[5] On average, participants are 40 years old, 90% of participants report having more than five years of working experience, and 41% are female. The experiment is conducted using oTree (Chen, Schonger, and Wickens 2016). The experiment

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[5] This study was approved by the relevant IRB. To participate in this study, subjects need to be located within the United States of America, have an MTurk task approval rate of 97%, and have completed at least 500 human intelligence tasks.

requires approximately 10-15 minutes to complete. Participants are paid a $0.50 participation fee plus the opportunity to earn a bonus payment that ranges from $0.88 to $4.43. Participants' bonus payment is expressed in points and converted to U.S. dollars at the end of the study at a conversion rate of 150 points per dollar.

Participants in this study assume the role of an employee for a hypothetical firm called XYZ Inc. Participants first read a short hypothetical scenario describing a few CSR decisions made by management at XYZ Inc. Then, participants make two incentivized and independent decisions, in random order, that affect their own pay. One decision is an incentivized performance reporting decision, and the other is an incentivized effort contribution decision. This mixed-method design allows me to utilize the strengths of both JDM (i.e., judgment and decision-making) and experimental economics to test my research question. Specifically, the hypothetical scenario depicts a simple yet realistic situation that online participants with short attention spans can easily understand, thus strengthening the manipulations. The incentivized decisions help alleviate the social desirability concern by making the decisions impactful to participants' earnings.

Hypothetical Scenario

Participants read a short scenario describing a few CSR decisions made by management at their firm, XYZ Inc. Specifically, participants are told that the CEO of XYZ Inc. has decided to initiate a partnership project with UNICEF and made a press release about the project to the public.[6] The press release is written as follows: "As the CEO of XYZ Inc., I believe it is important to give back to society and be socially responsible. Therefore, I have decided to

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[6] UNICEF is a charitable organization that works tirelessly to ensure that every child, regardless of gender, ethnicity or circumstances, has access to good quality education (List and Momeni 2021). All participants are presented with such background information about UNICEF.

partner with the charity UNICEF to launch a new project geared towards helping all children get high quality education. The project is expected to generate $40,000 of profit that will be directly realized by UNICEF. Our company, XYZ Inc., will cover all costs related to the project, which are expected to be $20,000. I believe the profit we are helping to create for UNICEF will help make a real difference in the world and I am excited for this new partnership between our two organizations."[7]

In the *learned-opportunism* condition, participants are told that the project manager, John, meets with the CEO to discuss the project. Participants attend the meeting and hear the conversation below between John and the CEO:

John (Project Manager): "In the previous project evaluation report that I sent you, I stated that the project would also benefit our XYZ Inc. significantly in the long-term. I also stated that our company's total benefits are expected to be much greater than the project cost. However, I did not see this information included in the press release that you made to the public. Are you aware that this information was missing?"

CEO: "Thanks for pointing that out, John. Yes, I am aware that information about the project's benefits for XYZ Inc. was missing from the press release."

John (Project Manager): "Well, I believe that this information is important to the public as it provides useful insights to help the public form a better and more complete understanding about our project and our company as a whole. Can I ask why you did not include this information in the press release?"

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[7] In the experiment instructions, the XYZ Inc. is referred as the company instead of the firm. I do not expect the terms to create different responses from participants.

CEO: "I chose to **WITHHOLD** this information because I view the press release as a great **OPPORTUNITY** for me to make the firm **APPEAR** selfless in the eyes of the public. Appearing selfless would help XYZ Inc. form a positive public image and stand out from other competitors. Given that the public **ONLY** knows what I told them, I was able to create such impression by disclosing only the information that is **FAVORABLE** to us."[8]

In the *learned-no opportunism* condition, the CEO's final response to John's question about why certain information is excluded from the press release is replaced with below:

CEO: "I did not include this information because we are currently **UNABLE** to estimate the exact amount of total benefit the project will create for XYZ Inc. Company policy requires that I do **NOT** disclose this type of **UNCERTAIN** information about our company to the public."

In the *not learned* condition, participants only have access to the press release made by their CEO. The conversation between the project manager and the CEO is *unavailable* to the participants in this condition.[9]As a result, participants in this condition do not learn the firm's

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[8] Having certain keywords bolded and capitalized is a design choice to strengthen the manipulation, ensuring the *learning* of opportunistically-motivated selective disclosure actually *occurs*. It is important to note that this study is *not* about whether an employee *will or will not learn* about the selective disclosure giving better knowledge of CSR. Instead, this study examines how an employee will respond, *after* learning about the selective disclosure action. As a result, participants *have to* learn about the selective disclosure action for me to test the theory.

[9] Participants in this study learn about the firm's selective disclosure choice through attending the meeting between the project manager and the top management. This design choice mimics a real-world setting where a firm increases employees' proximity and engagement in CSR by allowing them be more involved in the CSR process, which in turn, gives them better knowledge of CSR. While I acknowledge that there are numerous other ways for an employee to learn about the firm's selective disclosure choice, this study is *not* about *the channel* through which an

selective disclosure choice. Participants in *all* conditions are asked several comprehension check questions after reading the scenario to ensure they understand the instructions. Participants cannot proceed without correctly answering all the questions.

Dependent Variable: Employee Opportunism

I measure opportunism using two unique and independent employee behaviors: 1) participants' performance misreporting *to the firm* and 2) shirking in effort contribution to a joint project *with another employee* participant from the same firm. Dishonest reporting is opportunistic because an employee often has private information about his/her work (e.g., Rankin et al. 2008; Douthit and Stevens 2015), and misreporting entails the employee leveraging the information advantage for self-benefits. However, one limitation of the misreporting measure is that dishonest reporting is also likely to be affected by participants' lower honesty considerations driven by the treatment. Therefore, determining whether the effect of the social norm to behave opportunistically truly exists cannot be answered using this measure alone.

To examine whether selective CSR disclosure has implications for employee opportunism that are more pervasive than just decreased honesty, I examine an additional employee behavior, shrinking in effort when working with peers (i.e., free-riding), which is unlikely to be influenced by employee honesty considerations. Given that many aspects of work are unobservable and uncontrollable, employment contracts are generally incomplete in practice (e.g., Kreps 1990; Luft 1994; Christ, Sedatole, and Towry 2012). Withholding effort when working with peers is an employee leveraging the unobservable and uncontrollable nature of the work to self-benefit, i.e., opportunistic. Examining this alternative behavior also allows me to document that an employee will behave opportunistically not only towards the party whose

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employee learns about the opportunistic disclosure action. Instead, this study examines how an employee would respond, *after* learning about the opportunistic action.

behavior fosters the opportunistic environment in the first place (i.e., the firm) but also towards other unrelated parties that are within the same workplace (i.e., their peer employees). Finding an effect on both employee behaviors provides strong evidence of the social norm effect. In sum, I predict an employee will misreport performance to a greater extent and expend lower effort upon learning about the firm's selective CSR disclosure, motivated by firm opportunism.

Performance Reporting Decision

Participants work for their firm on a real-effort letter decoding task. Participants are asked to use a decoding key to translate as many letters into numbers as possible within the two-minute working period. Figure 1 provides an example of the task. At the end of the two-minute working period, participants see the total number of letters they decode (i.e., the real performance). The firm does *not* have access to participants' real performance. As a result, participants need to disclose the number to the firm (i.e., the self-reported performance). Participants understand that the firm has no way to verify whether a disclosed number is accurate or not.

Participants are paid based on their self-reported performance. Specifically, the firm pays participants 10 points for each letter they disclose to the firm. The maximum number a participant can disclose is his/her real performance + 20 letters.[10] Participants understand that only their real performance benefits the firm. Therefore, the over-reported amount benefits participants at the expense of the firm. Figure one presents an example of the real-effort letter decoding task.

[SEE FIGURE 1 ON PAGE 41]

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[10] This design ensures the misreporting range (i.e., 0 to 20) is the same for every employee, regardless of each employee's performance level. The employees in this study are not allowed to underreport their performance because such behavior is irrational and uncommon in practice.

Effort Contribution Decision

Participants are randomly matched with another employee (i.e., role assumed by another real Mechanical Turk participant) to work on a joint project together. Participants make an incentivized effort contribution decision that affects their earnings as well as the earnings of the other employee. In this task, participants' decision does *not* affect the firm's profit. Each participant is endowed with 100 points. Participants can decide whether to keep or contribute some or all of their 100 points to the joint project. Every 1 point contributed to the joint project (by either participant) generates a project profit of 1.5 points. The total project profit will be distributed evenly between the two participants, regardless of each participant's respective contribution.

Process Measures

After participants complete both the performance reporting task and the effort contribution task, they are asked to complete several post-experimental questionnaire items. Participants' responses to those questions are used to provide process measure evidence. Specifically, to examine whether it is the *opportunism* norm that is driving the effect, I ask the following questions: (1) "I made my decisions because my firm did NOT have access to my real performance," and (2) "I made my decision because other employees could NOT see my effort contribution."[11] Both questions measure participants' attempts to take advantage of the *situation* to self-benefit. Specifically, there is an information asymmetry between the firm and the employee (i.e., the situation). An employee misreports because the firm does not have access to the employee's real performance is her attempt to take advantage of the situation to self-benefit. Similarly, there is an information asymmetry between the two employees working on the joint

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[11] Given that the reporting decision and the effort decision are independent and are likely to be affected by different factors, I measure opportunism for each of the two decisions separately.

project (i.e., the situation). An employee's free-riding behaviors because the other employee cannot see her effort is her attempt to take advantage of the situation to self-benefit.

Several other factors are also included to rule out alternative explanations. For example, I measure honesty, employee trust in their firm, reciprocity (both positive and negative), and willingness to work hard. Participants are presented with all factors at once (including the two measures for opportunism). They are asked to select a factor that has the most influence on each of the two decisions and a factor that has the least influence on each of the two decisions. The most (least) influential factor is automatically assigned an influential value of 10 (1). Then, participants are presented with the rest of the factors (excluding the most and the least influential ones) and are asked to assign an influential value to each of the factors in terms of importance in influencing their two decisions. Participants can assign an influential value that ranges from two to nine, with two being the least influential and nine being the most influential. Participants can assign the same value to more than one factor if they believe the factors have the same influence on their decisions.

Payoff Functions

Participants' payoff for this study is shown below:

$$\Pi_{Employee} = \text{"Show-up Payment"} + \text{Task One Earnings} + \text{Task Two Earnings}$$

Where:

Task One Earnings

= Reported Performance * 10 points/letter

Task Two Earnings

= Initial Endowment of 100 points + (Own Contribution to the Joint Project + Other

Employee's Contribution to the Joint Project) * 1.5 * 0.5 – Own Contribution to the Joint

Project

Procedures

All MTurk participants accessed the study using the link posted on the MTurk website.

The study was conducted via the oTree interface. All participants read a set of instructions for

their assigned experimental condition. To ensure participants fully understand the instructions, I

presented each participant with several sets of comprehension check questions. Incorrect answers

were marked, and participants had unlimited tries until they answered all the questions correctly.

Participants could not proceed to the next part without answering all the questions correctly.

After making their decisions, participants completed a post-experimental questionnaire (PEQ)

with attention-check questions, process measure questions, and demographic questions.

After the PEQ, all participants received a unique MTurk code to receive their guaranteed

participation fee. Participants also saw their total earnings for the study (i.e., the guaranteed

participation fee and the additional payment based on their decision made in this study). The

additional payment was paid to the participants in the form of an MTurk bonus within 24-48

hours upon completing the study.

CHAPTER IV. RESULTS

Descriptive Statistics

384 participants completed the study. However, 90 participants were removed from my

data due to failing the participant quality checks.[12] My data suggest that the participants valued

the charity (i.e., UNICEF) that I chose to operationalize CSR as they strongly agreed with the

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[12] An ANOVA suggests that there was *not* a significant difference in the appearance of such participants ($F = 0.98$, $p = 0.37$).

PEQ item "The work done by UNICEF is important" (mean = 6.07, t = 30.03, p < 0.01).[13]

Participants' agreement on this statement did not differ across the three conditions (F = 1.71, p = 0.18). In addition, there are no significant demographic differences in participants' gender, experience with finance and economics, educational background, annual wage, work experience, number of experiments completed on MTurk, or self-reported seriousness in the experiment among the three experimental conditions. Finally, I collected the three conditions of the study across 12 sessions on MTurk, and there is no evidence of any session effects.

Table 1 presents descriptive statistics by condition, and Figure 2 (3) presents the average *misreporting (effort)* by condition graphically. Consistent with H1, *misreporting (effort)* appears much higher (lower) with the *learned-opportunism* than with the *not learned* condition. Consistent with H2, *misreporting (effort)* appears much higher (lower) with the *learned-opportunism* condition than with the *learned-no opportunism* condition. Figure 4 (5) presents the average influence of *social norm* conformity on participants' *misreporting (effort)*. Both *norm-misreporting* and *norm-effort* are higher with the *learned-opportunism* condition than either the *not learned* or the *learned-no opportunism* condition, tentatively supporting social norm conformity being the underlying mechanism for the effect in both H1 and H2.

<div align="center">[SEE TABLE 1 ON PAGE 50, FIGURE 2 – 5 ON PAGE 42-45]</div>

Hypothesis Tests

Tests of H1

My first hypothesis considers the effect of employee learning of opportunistically-motivated selective CSR disclosure (*learned-opportunism* vs. *not learned*) on opportunism, measured by performance misreporting and withholding effort contribution to a joint project.

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[13] Unless otherwise noted, all p-values are two-sided. The PEQ response is on a 7-point Likert scale labelled 1 = "Strongly Disagree," 4 = "Neither Agree nor Disagree," and 7 = "Strongly Agree."

Therefore, my tests exclude the *learned-no opportunism* condition. H1 predicts that employee opportunism is greater (i.e., greater *misreporting* and lower *effort*) when the firm's opportunistically-motivated selective disclosure is learned relative to when it is not. As a result, H1 predicts a positive (negative) effect of *learned* on *misreporting (effort)*. *Learned* is 1 for the *learned-opportunism* condition and 0 for the *not learned* condition. I test this simple effect predicted by H1 using a two-sided censored Tobit regression of the effect of *learned* on *misreporting* and *effort*, respectively. Table 2 presents the results of these analyses. Supporting H1, *learned* increases *misreporting* ($t = 2.63$, $p = 0.005$, one-sided) and reduces *effort* ($t = -2.24$, $p = 0.013$, one-sided).

I predict that the underlying mechanism for the effect in H1 is employees conforming to the social norm to behave opportunistically. Therefore, I expect the effect of *learned* on *misreporting (effort)* to be mediated by *norm-misreporting (norm-effort)*. I test this mediation using a structural equation model (SEM). My theory predicts that *learned* will increase the likelihood of opportunism norm conformity, which positively (negatively) relates to *misreporting (effort)*. Thus, I expect an indirect path from *learned* to *misreporting (effort)* through *norm-misreporting (-effort)*. Figure 6 presents the results of the SEM and the bootstrapped estimates (5,000 repetitions) of the indirect effect of *learned* on *misreporting (effort)* through *norm*. Consistent with my expectations, the indirect path from *learned* to *misreporting* is positive and significant (90% CI of (2.36, 5.64)). Also, the indirect path from *learned* to *effort* is negative and significant (90% CI of (-18.17, -6.51)). In sum. The results suggest that employee opportunism is greater when the firm's opportunistically motivated selective disclosure choice is learned by employees because the employees conform to the social norm to be opportunistic.

Tests of H2

My second hypothesis considers the effect of the opportunistic *motivation* on employee opportunism, given that the selective disclosure action is learned by an employee (*learned-opportunism* vs. *learned-no opportunism*). Therefore, my test excludes the *not learned* condition. H2 predicts that employee opportunism is greater (i.e., greater *misreporting* and lower *effort* contribution) when the selective disclosure is due to firm opportunism than when it is not. As a result, H2 predicts a positive (negative) effect of *learned-opportunism* on *misreporting (effort)*. *Learned-opportunism* is 1 for the *learned-opportunism* condition and 0 for the *learned-no opportunism* condition. I test this simple effect predicted by H2 using a two-sided censored Tobit regression of the effect of *learned-opportunism* on *misreporting* and *effort*, respectively. Table 3 presents the results of this analysis. Supporting H2, *learned-opportunism* increases *misreporting* (t = 2.14, p = 0.017, one-sided) and reduces *effort* (t = -2.42, p = 0.008, one-sided).

Similarly, I predict that the underlying mechanism for the effect in H2 is also employees conforming to the social norm to be opportunistic. Therefore, I expect the effect of *learned-opportunism* on *misreporting (effort)* to be mediated by *norm-misreporting (norm-effort)*. I test this mediation using a structural equation model (SEM). My theory predicts that *learned-opportunism* will increase the likelihood of opportunism norm conformity, which positively (negatively) relates to *misreporting (effort)*. Thus, I expect an indirect path from *learned-opportunism* to *misreporting (effort)* through *norm-misreporting (-effort)*. Figure 7 presents the results of the SEM and the bootstrapped estimates (5,000 repetitions) of the indirect effect of *learned-opportunism* on *misreporting (effort)* through *norm-misreporting (-effort)*. Consistent with my expectations, the indirect path from *learned-opportunism* to *misreporting* is positive and

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significant (90% CI of (0.48, 3.39)). Also, the indirect path from *learned-opportunism* to *effort* is negative and significant (90% CI of (-14.23, -2.81)). In sum, the results suggest that employee opportunism is greater when the selective disclosure is due to firm opportunism than when it is not. The underlying mechanism for such an effect is employees conforming to the social norm to be opportunistic.

[SEE TABLE 3 ON PAGE 52 AND FIGURE 7 ON PAGE 48]

Supplemental Analysis

My results appear to support my underlying theory and predictions. However, to further support my findings, I use PEQ responses to examine possible alternative explanations. Specifically, I examine honesty, employee trust in their firm, reciprocity, willingness to work hard, and preferences for a different charitable organization instead of UNICEF as factors that could also affect my findings.

First, I examine whether employees' lower honesty consideration is an alternative explanation for the effect found in this study. While I acknowledge that opportunism and dishonesty can certainly be characterized as distinct constructs in some settings, this paper highlights that they also overlap. That is, employee opportunism can be realized through dishonest reporting in the performance reporting setting. I measure honesty (*HONEST*) using a PEQ item "I made my decision in this study because I want to be honest." An untabulated factor analysis shows that *norm-misreporting* and *HONEST* load on a single factor, and have high inter-item reliability (Eigenvalue = 1.32, Cronbach's alpha = 0.86). The results indicate that *norm-misreporting* and *HONEST* overlap, and participants respond to these two items similarly. However, an untabulated path analysis shows that, while the indirect path of the effect of *learned* on *misreporting* (H1) through *HONEST* is significant (90% CI of (0.74, 2.65)), the indirect path

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through *norm-misreporting remains* significant (90% CI of (1.46, 4.07)). An untabulated path analysis for H2 shows similar results. That is, *HONEST* and *norm-misreporting* both mediate the effect on *misreporting* found in H2. The results collectively show that, while *HONEST* partially mediates the effect on *misreporting* found in both H1 and H2, *norm-misreporting* continues to play an important role in influencing participants' reporting decision. To provide further support, I repeat the above analysis for the *effort* dependent variable. Untabulated analyses show that *HONEST* does *not* mediate the effect on *effort* in either H1 or H2. Furthermore, the indirect path through *norm-effort* remains to be significant for both H1 (90% CI of (-18.06, -6.61)) and H2 (90% CI of (-13.59, -2.68)). The results further indicate that opportunism norm conformity plays a significant role in influencing their opportunistic behaviors.

Second, I examine whether employees' trust in their firm is an alternative explanation for the effect found in this study. I measure employee trust in the firm (*TRUST*) using a PEQ item "I made my decision in this study because I trust my firm." An untabulated path analysis of the effect of *learned* on *employee opportunism* (H1) fails to find an effect of *TRUST* on either *misreporting* ($t = -0.02$, $p = 0.98$) or *effort* ($t = 1.28$, $p = 0.20$). I also fail to find an indirect path of *learned* on *misreporting* through *TRUST* (90% CI of (-0.45, 0.41)) or an indirect path of *learned* on *effort* through *TRUST* (90% CI of (-3.98, 0.39)). However, the indirect path through *norm* remains significant for both *misreporting* (90% CI of (2.39, 5.61)) and *effort* (90% CI of (-18.30, -6.69)). I repeat the analyses for H2 and find that *TRUST* mediates the effect on *misreporting* but not on *effort*, and the indirect path through *norm* remains significant. The results collectively suggest that *TRUST* does not significantly affect my results, and my theory continues to strongly predict behavior even when controlling for employee trust in their firm.

Third, I examine whether reciprocity is an alternative explanation for the effect found in this study. I measure negative reciprocity (*Negative_Reciprocity*) using a PEQ item "I made my decision in this study because I want to punish my firm;" and the positive reciprocity (*Positive_Reciprocity*) using a PEQ item "I made my decision in this study because I want to reward my firm." Untabulated path analyses for H1 find a significant indirect path through *Negative_Reciprocity* on *misreporting* (90% CI of (0.08, 1.39)) but *not* on *effort* (90% CI of (-2.15, 3.81)). Furthermore, the indirect path through *norm* remains significant for both *misreporting* and *effort* (*misreporting*: 90% CI of (2.25, 5.37); *effort*: 90% CI of (-18.40, -6.64)). I repeat the same analyses for H2, and the results mirror the above results for H1. Overall, the results indicate that employees' opportunism norm conformity plays an important role in influencing the reporting and effort decisions. While *Negative_Reciprocity* partially mediates the effect on *misreporting,* it is *not* an underlying mechanism for the effect on *effort*. As for *Positive_Reciprocity,* untabulated path analyses find a significant indirect path through *Positive_Reciprocity* on *misreporting* but not on *effort*, for both H1 and H2. The indirect path through social norm remains significant in all cases. As a result, *Positive_Reciprocity* also partially mediates the effect on *misreporting* but *not* the effect on *effort*. The results collectively suggest that, while both *Negative_Reciprocity* and *Positive_Reciprocity* play a role in influencing employee opportunism, they do not affect the inferences of this study, and my theory continues to strongly predict behavior even when controlling for them.

Fourth, I examine whether employees' willingness to work hard is an alternative explanation for the effect found in this study. I measure *Hard_Work* using a PEQ item "I made my decision in this study because I want to work hard." Untabulated path analyses for H1 fail to find a significant indirect path through *Hard_Work* on either *misreporting* or *effort*

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(*misreporting*: 90% CI of (-0.24, 0.65); *effort*: 90% CI of (-2.17, 0.43)). However, the indirect path through *norm* remains significant (*misreporting*: 90% CI of (2.27, 5.56); *effort*: 90% CI of (-17.44, -6.20)). I repeat the same analyses for H2, and the results mirror the above results for H1. The results collectively suggest that *Hard_Work* does not significantly affect my results, and my theory continues to strongly predict behavior even when controlling for it.

Finally, I examine whether the effects found in this study are due to my selection of UNICEF as the charitable organization (*Diff. Charity*). I measure *Diff. Charity* using participants' response to the PEQ item "I would have behaved differently when making the two decisions in this study if a different charity other than UNICEF was selected." [14] For H1, untabulated two-sided censored Tobit regressions of responses to this item *Diff. Charity*, *learned,* and *Diff. Charity*learned* on both *misreporting* and *effort*, does not find an interaction for either *misreporting* (t = -0.12, p = 0.904) or *effort* (t = 0.60, p = 0.546), suggesting that my choice of UNICEF does not significantly affect the effect found in H1. I repeat the same analyses for H2, and the results mirror H1. The results collectively suggest that the effects found in this study are not driven by the selection of UNICEF as the charitable organization.

CHAPTER V. CONCLUSION AND DISCUSSION

Results Discussion

Using an experiment, I examine whether an employee will behave more opportunistically, upon learning about the firm's selective disclosure action. I further examine whether employee opportunism is greater when the selective disclosure is opportunistically-motivated than when it is not. I predict and find that employee opportunism is greater (i.e., greater misreporting and lower effort contribution) when the selective disclosure is learned by an

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[14] Participants are asked to rate the extent to which they agree with the statement on a 7-point Likert scale labeled 1 = "Strongly Disagree," 4 = "Neither Agree nor Disagree," and 7 = "Strongly Agree."

employee than when it is not learned. I further expect and find that opportunism norm conformity is the underlying mechanism for the effect. Finally, to provide further evidence showing the existence of a social norm effect, I expect and find that employee opportunism is greater when the selective disclosure is opportunistically-motivated rather than a different cause.

This study provides important practical implications and contributes to the academic literature. First, this study cautions firms that expected benefit of using CSR to positively influence employee behaviors might not be fully realized, when the increased employee proximity and engagement in CSR simultaneously allow employees to gain better knowledge of CSR, which in turn, enables the employees to realize the selective disclosure actions. Second, while firms might be able to hide opportunistically-motivated disclosure choices from the public, this study cautions firms that employees are more likely to recognize such an opportunistic action. Third, this study contributes to the CSR literature by showing how averages employees' respond to their firm's selective CSR disclosures. Finally, this study provides implications for broader accounting literature as selective disclosure is a fundamental accounting issue. This study utilizes the important CSR setting to examine how an employee reacts to the firm's opportunistic CSR disclosure. The study shows that an employee's learning of a firm's selective CSR disclosure, motivated by firm opportunism, leads to greater employee opportunism.

Limitation and Future Research

This study is subject to several limitations associated with the experimental design. For example, this study only focuses on employee opportunism *upon* learning about the opportunistically-motivated selective disclosure action. Future research may find it beneficial to explore different *channels* through which such an opportunistic action is learned and examines whether employee opportunism differs based on the channels. Second, better knowledge of CSR

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can reveal aspects of a firm other than opportunism. Future research can expand my setting to investigate employee responses to other dynamics revealed by such a knowledge. Finally, employee opportunism can manifest in almost all types of employee behaviors. This study focuses on two independent employee behaviors, with one towards their firm (i.e., employee performance reporting) and one towards an unrelated third-party (i.e., effort contribution to a joint project with another employee). Future research may find it interesting and beneficial to look at other types of employee opportunistic actions.

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FIGURE 1
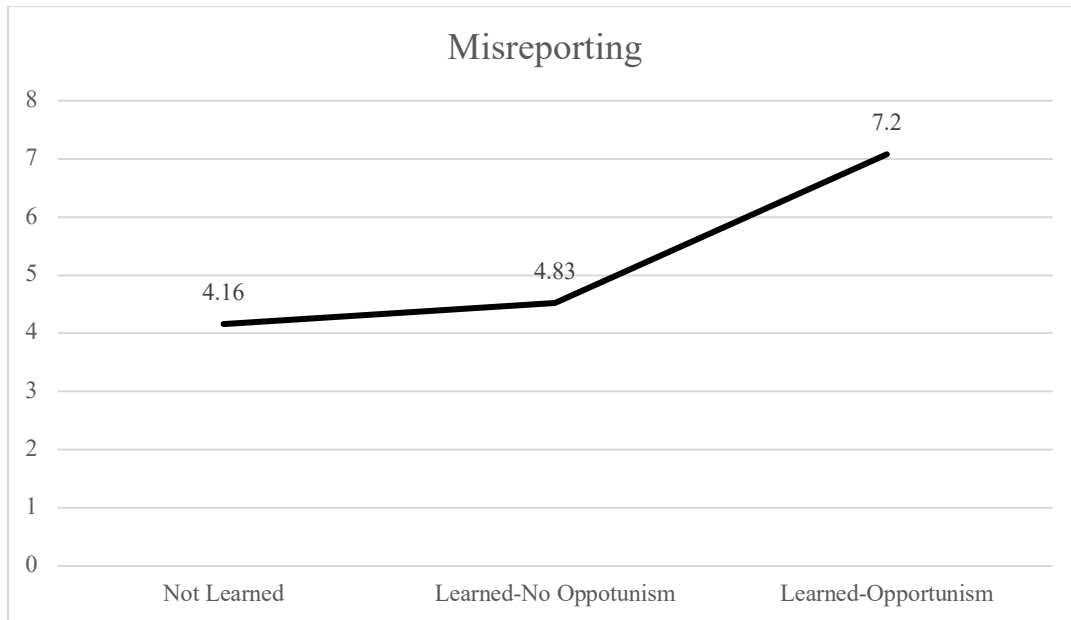**LETTER SEARCH TASK EXAMPLE**

Time left to complete this page: **1:53**

Z	U	C	P	T	S	K	W	O	H	D	G	X
2	14	16	23	29	32	37	41	42	52	62	71	82

E	M	F	J	Y	R	V	N	Q	A	B	I	L
95	98	105	108	110	120	140	142	156	170	189	192	194

What is the associated number for the letter **K**

Input your answer below:

Next

FIGURE 2
AVERAGE MISREPORTING ACROSS CONDITIONS

This figure presents the average misreporting across the three experimental conditions.
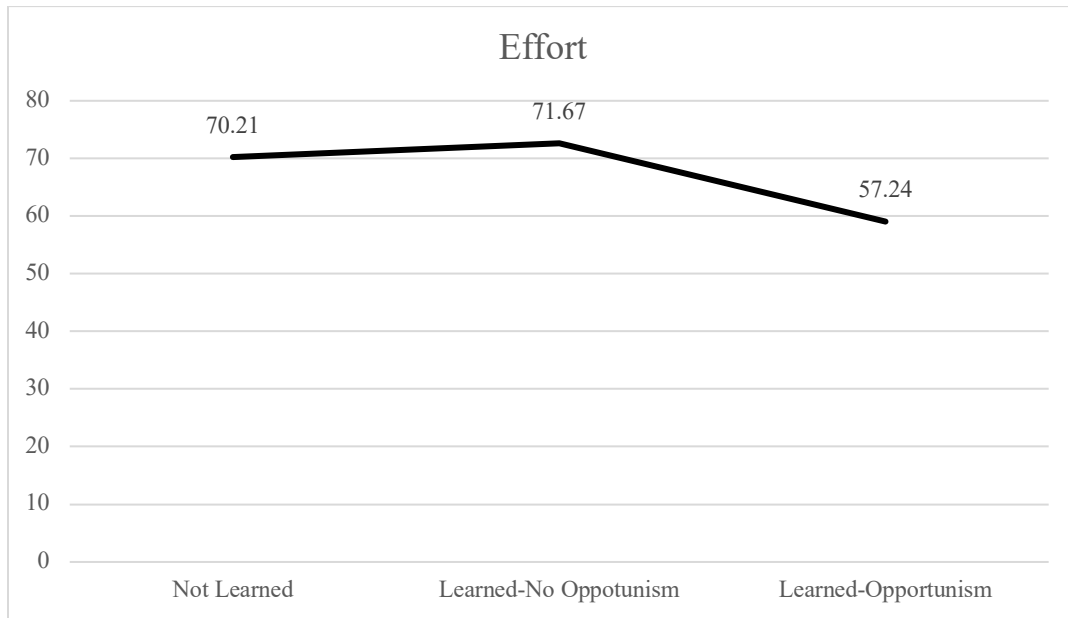*Not Learned* is the condition where the firm's selective CSR disclosure is not learned.
Learned-No Opportunism is the condition where the firm's selective CSR disclosure is learned but the selective disclosure is not opportunistically motivated.
Learned-Opportunism is the condition where the firm's selective CSR disclosure is learned and the selective disclosure is opportunistically motivated.
Misreporting is the difference between employees' real performance and self-reported performance.

FIGURE 3
AVERAGE EFFORT ACROSS CONDITIONS

This figure presents the average effort contribution across the three experimental conditions.
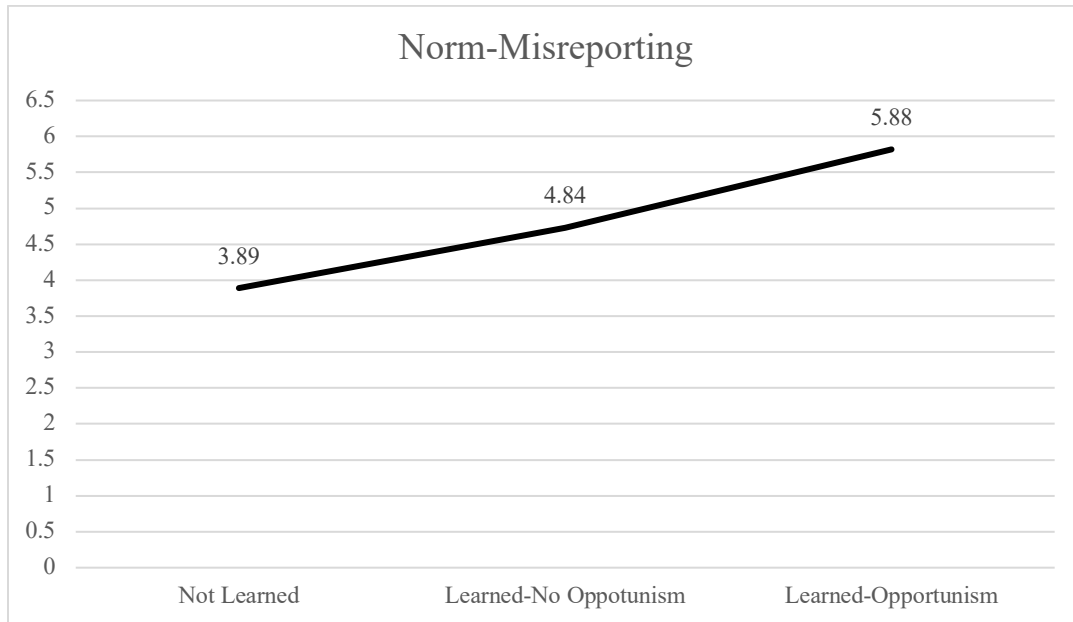*Not Learned* is the condition where the firm's selective CSR disclosure is not learned.
Learned-No Opportunism is the condition where the firm's selective CSR disclosure is learned
    but the selective disclosure is not opportunistically motivated.
Learned-Opportunism is the condition where the firm's selective CSR disclosure is learned
    and the selective disclosure is opportunistically motivated.
Effort is employees' chosen effort contribution to the joint project with another employee,
    ranging from 0 to 100.

Norm-Misreporting

This figure presents the average level of employee opportunism norm conformity when making
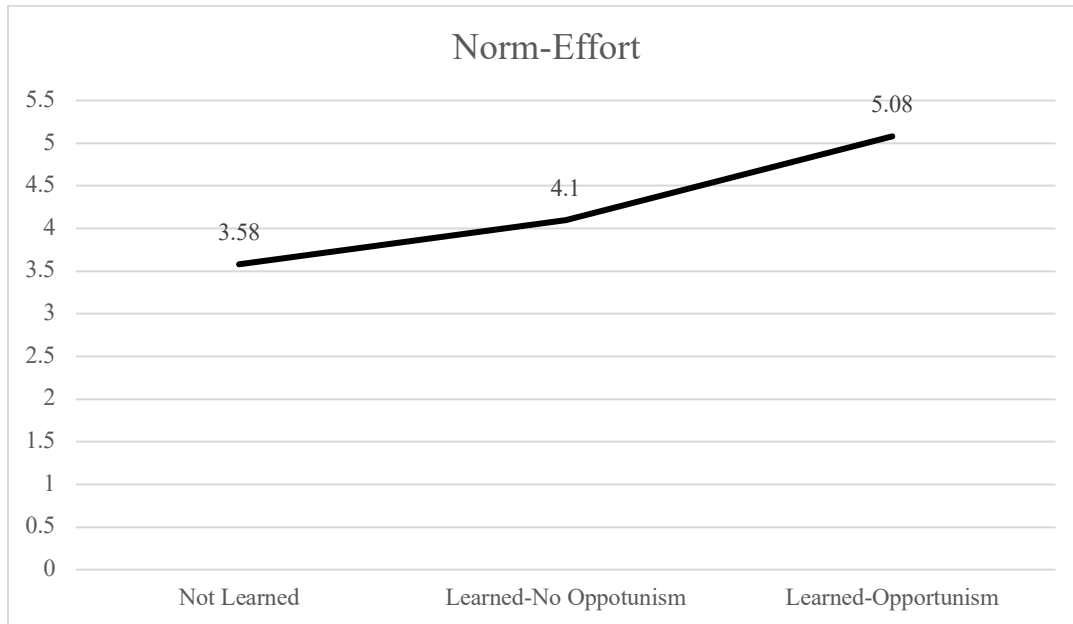the performance reporting decision across the three experimental conditions.

Not Learned is the condition where the firm's selective CSR disclosure is not learned.

Learned-No Opportunism is the condition where the firm's selective CSR disclosure is learned
but the selective disclosure is not opportunistically motivated.

Learned-Opportunism is the condition where the firm's selective CSR disclosure is learned
and the selective disclosure is opportunistically motivated.

Norm-Misreporting is employees' response to the questionnaire item "My Company did NOT
have access to my real performance." Employees can assign an influence value to the
statement based on its influence on their performance reporting decision. The value
ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

FIGURE 5

FIGURE 5
AVERAGE OPPORTUNISM NORM CONFORMITY (EFFORT)
ACROSS CONDITIONS

Norm-Effort

This figure presents the average employee opportunism when making the effort contribution
decision across the three experimental conditions.

*Not Learned* is the condition where the firm's selective CSR disclosure is not learned.

Learned-No Opportunism is the condition where the firm's selective CSR disclosure is learned
but the selective disclosure is not opportunistically motivated.

Learned-Opportunism is the condition where the firm's selective CSR disclosure is learned
and the selective disclosure is opportunistically motivated.

Norm-Effort is employees' response to the questionnaire item "Other employees could NOT see
my effort contribution." Employees can assign an influence value to the statement based
on its influence on their performance reporting decision. The value ranges from 1 to 10
with 1 being the least influential and 10 being the most influential.

FIGURE 6
STRUCTURAL EQUATION MODEL (HYPOTHESIS 1)
MEDIATING EFFECT OF NORM CONFORMATION ON EFFECT OF LEARNED ON EMPLOYEE OPPORTUNISM

Panel A: Dependent Variable is Misreporting
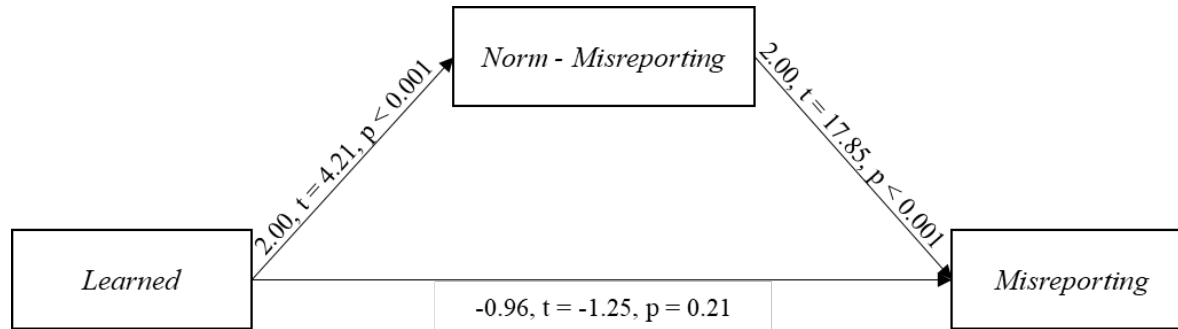
	Coef.	Bootstrap Std. Err.	Bias-corrected 90% Conf. Interval
Indirect effect	4.00	0.99	2.36, 5.64

Panel B: Dependent Variable is Effort
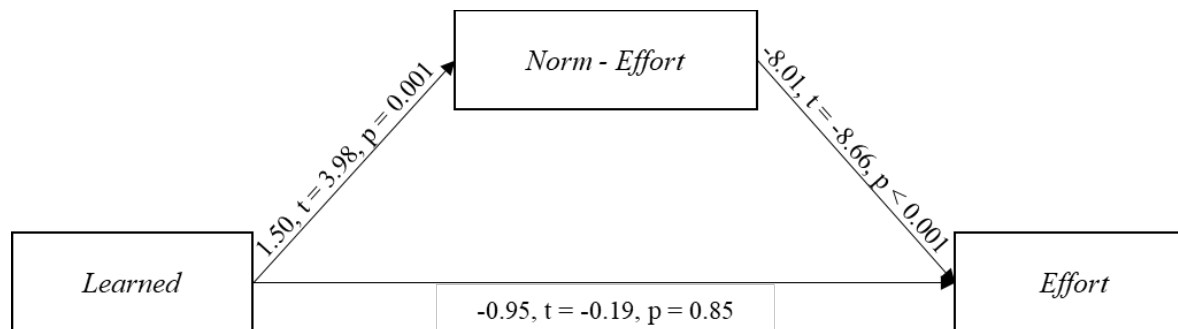
	Coef.	Bootstrap Std. Err.	Bias-corrected 90% Conf. Interval
Indirect effect	-12.03	3.59	-18.17, -6.51

Learned is equal to 1 if selective disclosure is learned and the disclosure choice is opportunistically motivated (i.e., *learned-opportunism*) and 0 if it is not learned (i.e., *not learned*).

Misreporting is the difference between employees' real performance and self-reported performance.

Effort is employees' chosen effort contribution to the joint project with another employee, ranging from 0 to 100.

Norm-Misreporting is employees' response to the questionnaire item "My company did NOT have access to my real performance." Employees can assign an influence value to the

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statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

Norm-Effort is employees' response to the questionnaire item "Other employees could NOT see my effort contribution." Employees can assign an influence value to the statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

This analysis excludes the data from the *learned-no opportunism* condition.

The analysis reported is a structural equation model (SEMs).

The reported test of the indirect effect present bias-corrected confidence intervals based on the results of a 5,000-repetition bootstrapping procedure.
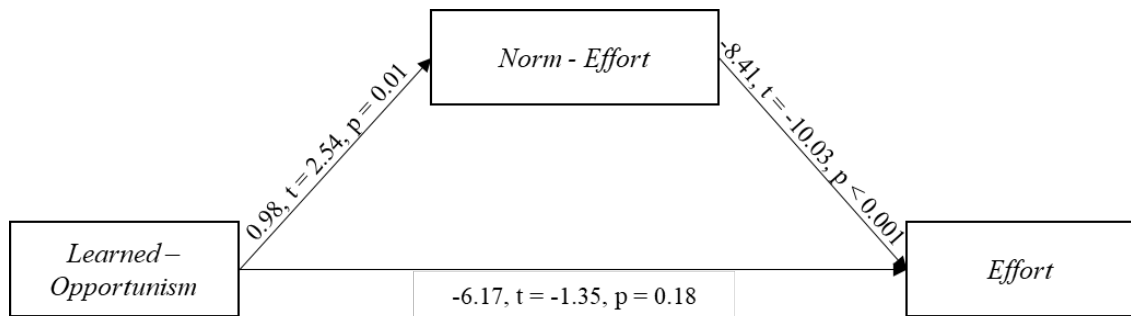
Reported p-values are one-sided.

FIGURE 7
STRUCTURAL EQUATION MODEL (HYPOTHESIS 2)
MEDIATING EFFECT OF NORM CONFORMATION ON EFFECT OF LEARNED-OPPORTUNISM ON EMPLOYEE OPPORTUNISM

Panel A: Dependent Variable is Misreporting

Norm - Misreporting

1.05, t = 2.20, p = 0.03

1.83, t = 14.44, p < 0.001

Learned – Opportunism

0.45, t = 0.53, p = 0.60

Misreporting
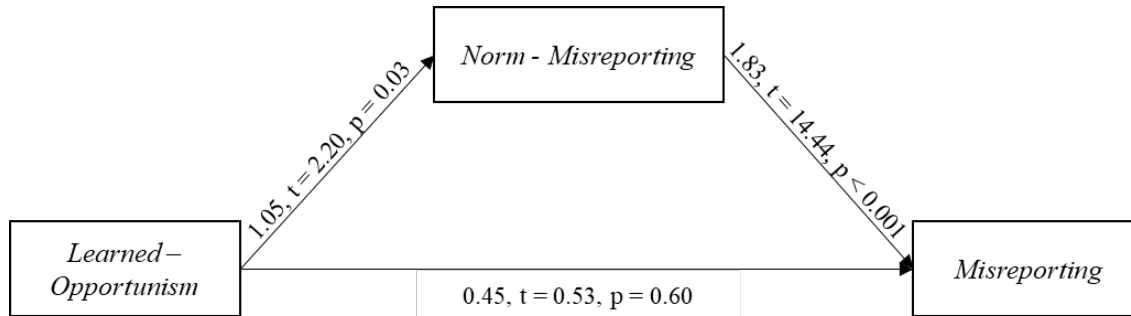
	Coef.	Bootstrap Std. Err.	Bias-corrected 90% Conf. Interval
Indirect effect	1.92	0.88	0.48, 3.39

Panel B: Dependent Variable is Effort

Norm - Effort

0.98, t = 2.54, p = 0.01

-8.41, t = -10.03, p < 0.001

Learned – Opportunism

-6.17, t = -1.35, p = 0.18

Effort

	Coef.	Bootstrap Std. Err.	Bias-corrected 90% Conf. Interval
Indirect effect	-8.25	3.49	-14.23, -2.81

Learned-opportunism is equal to 1 if the selective disclosure is learned and the disclosure choice is opportunistically motivated (i.e., *learned-opportunism*) and 0 if the selective disclosure is learned but the disclosure choice is not due to firm opportunism (i.e., *learned-no opportunism*).

Misreporting is the difference between employees' real performance and self-reported performance.

Effort is employees' chosen effort contribution to the joint project with another employee, ranging from 0 to 100.

Norm-Misreporting is employees' response to the questionnaire item "My company did NOT have access to my real performance." Employees can assign an influence value to the statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

Norm-Effort is employees' response to the questionnaire item "Other employees could NOT see my effort contribution." Employees can assign an influence value to the statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

This analysis excludes the data from the *not learned* condition.

The analysis reported is a structural equation model (SEMs).

The reported test of the indirect effect present bias-corrected confidence intervals based on the results of a 5,000-repetition bootstrapping procedure.

Reported p-values are one-sided.

TABLE 1
DESCRIPTIVE STATISTICS

	Not Learned	Learned-No Opportunism	Learned-Opportunism
Misreporting	4.16	4.83	7.2
Std. Dev.	0.78	0.80	0.91
Norm-Misreporting	3.89	4.84	5.89
Std. Dev.	0.32	0.32	0.35
Effort	70.21	71.67	57.24
Std. Dev.	3.79	3.56	4.26
Norm-Effort	3.58	4.10	5.08
Std. Dev.	0.24	0.25	0.29
n	98	99	97

Not Learned is the condition where the firm's selective CSR disclosure is not learned.

Learned-No Opportunism is the condition where the firm's selective CSR disclosure is learned but the selective disclosure is not opportunistically motivated.

Learned-Opportunism is the condition where the firm's selective CSR disclosure is learned and the selective disclosure is opportunistically motivated.

Misreporting is the difference between employees' real performance and self-reported performance.

Effort is employees' chosen effort contribution to the joint project with another employee, ranging from 0 to 100.

Norm-Misreporting is employees' response to the questionnaire item "My company did NOT have access to my real performance." Employees can assign an influence value to the statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

Norm-Effort is employees' response to the questionnaire item "Other employees could NOT see my effort contribution." Employees can assign an influence value to the statement based on its influence on their performance reporting decision. The value ranges from 1 to 10 with 1 being the least influential and 10 being the most influential.

n is the number of employees in each condition.

TABLE 2
TEST OF HYPOTHESIS 1
EFFECT OF LEARNED ON EMPLOYEE OPPORTUNISM

Panel A: Dependent Variable is Misreporting

	Coefficient	t-stat	p-value
Constant	-28.02	-3.30	0.001
Learned	23.62	2.63	**0.005**

Model $\chi^2_{(1, 195)} = 8.52$, p = 0.004
123 observations left-censored at 0
44 observations right-censored at 20

Panel B: Dependent Variable is Effort

	Coefficient	t-stat	p-value
Constant	110.85	9.10	<0.001
Learned	-35.35	-2.24	**0.013**

Model $\chi^2_{(1, 195)} = 5.16$, p = 0.02
29 observations left-censored at 0
96 observations right-censored at 100

Learned is equal to 1 if selective disclosure is learned and the disclosure choice is opportunistically motivated (i.e., *learned-opportunism*) and 0 if it is not learned (i.e., *not learned*).

Misreporting is the difference between employees' real performance and self-reported performance.

Effort is employees' chosen effort contribution to the joint project with another employee, ranging from 0 to 100.

This analysis excludes the data from the *learned-no opportunism* condition.

The analysis reported is a Tobit regression. The first Tobit regression censored at the minimum (0) and maximum (20) *misreporting* level. The second Tobit regression censored at the minimum (0) and maximum (100) *effort* level.

Reported p-values are two-sided, except for those stemming from directional predictions, which are one-sided and presented in **bold**.

TABLE 3
TEST OF HYPOTHESIS 2
EFFECT OF LEARNED-OPPORTUNISM ON EMPLOYEE OPPORTUNISM (H2)

Panel A: Dependent Variable is Misreporting

	Coefficient	t-stat	p-value
Constant	-17.01	-2.85	0.033
Learned-opportunism	14.67	2.14	**0.017**

Model $\chi^2_{(1, 196)}$ = 5.05, p = 0.025
117 observations left-censored at 0
44 observations right-censored at 20

Panel B: Dependent Variable is Effort

	Coefficient	t-stat	p-value
Constant	107.58	10.00	<0.001
Learned-opportunism	-34.13	-2.42	**0.008**

Model $\chi^2_{(1, 196)}$ = 5.97, p = 0.015
26 observations left-censored at 0
94 observations right-censored at 100

Learned-opportunism is equal to 1 if the selective disclosure is learned and the disclosure choice is opportunistically motivated (i.e., *learned-opportunism*) and 0 if the selective disclosure is learned but the disclosure choice is not due to firm opportunism (i.e., *learned-no opportunism*).

Misreporting is the difference between employees' real performance and self-reported performance.

Effort is employees' chosen effort contribution to the joint project with another employee, ranging from 0 to 100.

This analysis excludes the data from the *not learned* condition.

The analysis reported is a Tobit regression. The first Tobit regression censored at the minimum (0) and maximum (20) *misreporting* level. The second Tobit regression censored at the minimum (0) and maximum (100) *effort* level.

Reported p-values are two-sided, except for those stemming from directional predictions, which are one-sided and presented in **bold**.