

The Behavioral Effects of Approval Authority on Budget Reporting in Hierarchical Nonremote and Remote Environments

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ABSTRACT: We conduct two experiments to examine budget reporting in hierarchical work settings (owners, managers, and employees) under nonremote and remote conditions, respectively. We investigate employees' and managers' reporting behavior when managers have the authority to approve or reject employees' budgets. We predict and find that the presence of budget approval authority increases employees' honesty in both nonremote and remote environments. More importantly, exercising this authority has no significant impact on managers' own honesty in nonremote settings but increases managers' honesty in remote environments due to their enhanced empathy toward owners. Supplemental data further support our theory, suggesting that exercising approval authority leads to a higher level of affective empathy, which in turn increases managers' honesty in remote environments. We discuss the implications of our findings for both research and practice.

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I. INTRODUCTION

Prior accounting research has examined the effects of budget approval authority on employee behavior, typically within a two-level agency relationship (e.g., owners and employees), where the owner exercises approval authority and the employee's budget report directly affects the owner's wealth (Fisher, Frederickson, and Pfeffer 2000; Rankin, Schwartz, and Young 2008; Douthit and Stevens 2015). Less attention has been paid to the functioning of management control systems within organizational hierarchies, with some exceptions (e.g., Kuang, Majerczyk, and

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Yang 2023; Bouwens, Hofmann, and Schwaiger 2024). This gap in our understanding is important because it suggests important, unanswered questions about how organizations maintain effective control in hierarchical settings where owners delegate authority to managers and managers oversee employees. Specifically, because many organizations have multiple hierarchical levels, middle managers likely have dual roles in which they exercise control over their subordinates' budgetary requests while also preparing their own budgetary requests. In this study, we focus on a specific type of managerial control, budget approval authority (i.e., the right to approve or reject budget requests), and examine how its presence or absence affects employee honesty, as well as the manager's own honesty, when preparing budgetary reports for owners.

Our study departs from budgeting literature in two key ways. First, we focus on organizations with more than two hierarchical levels, which are common in the corporate world. We adopt a generic three-tier structure (owners, managers, and employees) to represent such a multilevel hierarchy. In these organizations, owners often delegate budget approval authority to middle managers due to managers' informational advantage over owners. Moreover, employees and managers typically have distinct, role-specific budgeting responsibilities—managers not only approve employees' budget reports but also submit their own budget requests for other projects. As a result, both employees and managers report to owners on different tasks, and their respective reports independently affect owners' wealth. We argue that managers' exercise of budget approval authority influences not only employees' reporting behavior but also their own reporting behavior. Thus, the exercise of budget approval authority can create externalities that influence organizational efficiency beyond what has been documented in prior literature.

Second, we examine how these influences unfold in two different settings using two experiments. With experiment one, we consider traditional, nonremote work settings. With experiment two, we consider remote work settings.¹ In nonremote environments, drawing on prior research, we expect that budget approval authority will increase employees' honesty, due to their fear of inflated budget reports being rejected. Extending prior literature, we contend that exercising approval authority can have two possible effects on managers' own reporting behavior: a "moral licensing" effect that decreases managers' honesty by making their misreporting more justifiable and an "empathizing" effect that increases managers' honesty by prompting them to take owners' perspective in their decision-making. We therefore pose a research question to examine the net effect of these opposing forces on managers' honesty.

Remote work, defined as working outside the traditional workplace, has become a widespread organizational practice. Surveys suggest that 16 percent of companies worldwide operate without physical offices (Haan 2023). Approximately 37 percent of U.S. jobs can be performed entirely remotely, and this figure is expected to rise with continued technological advancements (Adamczyk 2023).² Remote work can alter the dynamics of control through both the substance of the control system (Delfino and van der Kolk 2021) and the perception of existing controls (Lill 2020), ultimately influencing employee attitudes and behaviors (e.g., Baudot, Kelly, and McCullough 2022; Baek 2023; Angelici and Profeta 2024; Bhattacharjee, Hillison, and Malone 2024). In fully remote environments, where organizations operate without physical offices, the reporting task entails interaction among physically distant individuals. According to construal level theory, such remoteness increases individuals' psychological distance from the task (Trope and Liberman 2010). Greater psychological distance, in turn, can make abstract normative values more salient, amplifying their impact on behavior (Eyal, Liberman, and Trope 2008; Giacomantonio, De Dreu, Shalvi, Sligte, and Leder 2010). Within this remote setting, we expect budget approval authority to positively influence employees' honesty due to their fear of rejection, similar to its effect in nonremote settings. More importantly, when exercising approval discretion, managers contemplate what types of employee budgets are acceptable. During this process, the heightened salience of normative values in remote environments may lead them to consider how misreported budgets could affect owners and, thereby, increase their empathy—"an emotional reaction including feelings of compassion, sympathy, and concern" (Stürmer, Snyder, Kropp, and Siem 2006, 943)—toward owners. As a result, the "empathizing" effect likely strengthens. However, we are unable to predict *ex ante* whether this amplified "empathizing" effect will fully outweigh the "moral licensing" effect. We therefore examine this as a research question.

Our two experiments both use a modified form of the classic participative budgeting setting in Evans, Hannan, Krishnan, and Moser (2001). Employees receive a project cost and submit a budget report to owners. Overstated budgets increase employees' payoff and decrease owners' payoff. To this setting, we introduce managers who receive a project cost (independent of the employee's project cost) and submit a budget report to owners. Both employees and

¹ The nonremote and remote experiments were conducted approximately one year apart using participants from the same university and the same recruitment procedures. Demographic comparisons revealed no significant differences between the two samples. However, given the differences in the timing and environment of the two data collection periods, we do not hypothesize or compare results across the two experiments.

² Despite recent policies mandating a return to the office by some firms, including a January 2025 executive order signed by the U.S. president for federal employees, surveys indicate that nearly half (46 percent) of remote workers would quit if forced back to the office (Wells 2025), suggesting that such policies may lead to high turnover and challenges in retaining talent.

managers financially gain from overstating their budgets. Our first experiment is conducted in a *nonremote* environment, with all participants seated in a computer lab. Participants are assigned the role of owner, manager, or employee. We manipulate whether managers' approval authority is present or absent: when approval authority is present, the manager sets a maximum threshold for their employee's budgeted cost, below which the employee's budget is automatically approved and funded. When approval authority is absent, all employees' budgets are automatically approved and funded. The main dependent variable is the honesty of budget reports. We find that approval authority significantly increases the honesty of employees' reports but does not significantly influence the honesty of managers' reports.

Our second experiment is conducted in a *remote* environment, with participants completing the experimental task virtually from their home computers. We manipulate the same factor as in the first experiment: whether the manager has approval authority. We find that approval authority significantly increases employees' reporting honesty and, notably, that exercising this authority also significantly increases managers' own reporting honesty. Additional analysis shows that managers' empathy toward owners partially mediates the effect of exercising approval authority on their honesty. We also address several alternative explanations for our main findings through a supplemental experiment. Collectively, these results provide robust support for our theory.

Our study offers important implications for both research and practice. Our findings help bridge the gap between accounting and management literatures by demonstrating that remote work environments, beyond their economic and informational effects, have important psychological effects on control practices. Although budget approval authority is typically designed to align employees' behavior with organizational goals, we find that it also has spillover effects on managers who actively exercise such authority, particularly in fully remote settings where organizations operate without physical offices. These findings provide useful insight into how management can strategically integrate managers' downward authority and upward reporting responsibility to maximize organizational efficiency across diverse work settings.

As employees increasingly work remotely, especially in larger firms with complex hierarchies (Baudot et al. 2022), organizations face pressing challenges in maintaining effective oversight and accountability through management controls. Consequently, "motivation concerns often arise with remote work" (Nyberg, Shaw, and Zhu 2021, 5). Some research suggests that remote work might lead to a loss of control (Raiborn and Butler 2009), for example, by creating more opportunities for misconduct or inconsistent adherence to procedures (Brüggen, Feichter, and Haesebrouck 2024). Our findings speak directly to these concerns by showing that, in certain domains, management control can be more effective in remote environments due to externality effects that influence behavior of those exercising the control. This insight has practical implications for designing effective control systems for remote work environments that leverage peer influence. These findings also extend recent accounting research that documents the positive effects of remote work on organizational outcomes, such as managers' desirable information acquisition behavior (Baek 2023), employee retention (Baudot et al. 2022), and auditors' decision quality (Bhattacharjee et al. 2024). Firms need to be aware of these effects to properly evaluate the overall impact of management control implemented across different work settings.

II. BACKGROUND AND THEORY DEVELOPMENT

Managers' Budget Approval Authority in Nonremote Environments

Budgets are an important tool for resource allocation and performance evaluation in organizations (Covaleski, Evans, Luft, and Shields 2003). In the budgeting process, due to information asymmetry, top management often needs to elicit relevant information from employees, and the quality (e.g., accuracy) of employee-provided information largely influences the effectiveness of the final budgets. However, employees may have an incentive to misreport their private information to advance their economic self-interest. Prior accounting studies find that employees tend to make "partially honest" budget reports because of the tradeoff between utility from wealth and utility from honesty (Brown, Evans, and Moser 2009). Further, the accounting literature suggests that firms can promote truthful budget reporting using control devices such as *post hoc* audits and production hurdles (Antle and Eppen 1985; Chow, Hirst, and Shields 1995).

Previous studies investigate how the authority to approve or reject employees' budget proposals influences the truthfulness of these proposals (Fisher et al. 2000; Rankin et al. 2008; Douthit and Stevens 2015; Douthit, Schwartz, Stevens, and Young 2022). Those studies focus on a two-level agency relationship, where the owner, who has approval authority, is the sole residual claimant. In practice, many firms have more than two hierarchical agency levels (e.g., owners, managers, and employees) (Anderson and Brown 2010). In these hierarchical organizations, middle managers typically have more information about the production process and are better able to monitor employees' behavior than

owners (Fama and Jensen 1983). Therefore, owners may delegate budget approval authority to middle managers for control purposes.

We are interested in examining employees' behavior when budget approval authority is held by an agent of the primary residual claimant (i.e., middle managers). More importantly, we examine how holding approval authority affects managers' own reporting behavior. This question is particularly important because managers typically operate in multi-tasking environments (Friebel, Heinz, and Zubanov 2022). In addition to approving employees' budget reports, they may also be responsible for other projects that require them to request resources from owners. To investigate these dynamics, we focus on hierarchical organizations where (1) employees and managers each report to owners on different projects that independently affect owners' payoffs, and (2) managers are either granted or not granted the authority to approve employees' budget reports.

Prior accounting research finds that, in two-level agency settings, when owners have budget approval authority, employees worry that budget reports appearing unreasonable may be rejected (Rankin et al. 2008; Douthit and Stevens 2015; Douthit et al. 2022). Thus, budget approval authority "can serve as an extrinsic control and reduce the amount of slack created by the subordinate" (Rankin et al. 2008, 1088). We expect that budget approval authority will have a similar effect on employees' honesty in hierarchical organizations. We formally state this as our first hypothesis.

H1: In nonremote environments, budget approval authority will increase employees' budget reporting honesty.

Prior research has not systematically investigated how managers' exercise of approval authority influences their own behavior. We contend that exercising authority could affect managers' behavior in two ways. On the one hand, managers act as agents for owners, screening and synthesizing information needed for the implementation of organizational strategies (Floyd and Wooldridge 1994). Therefore, managers might feel that they are already serving owners' interests, potentially leading to a "moral licensing" effect—that is, individuals who initially behave morally may later behave less morally, as if granted a "license" for doing so (e.g., Conway and Peetz 2012; Blanken, van de Ven, Zeelenberg 2015; Lasarov and Hoffmann 2020). In such cases, the presence of approval authority may reduce managers' own honesty compared with when they lack approval authority.

On the other hand, when managers are granted authority to approve or reject employees' budget reports, they may deliberate whether the employees' budget reports are acceptable before deciding whether to approve them (Floyd and Wooldridge 1992). While engaging in this deliberation and approval process, managers may consider how the employees' budget reports, as well as their own reports, will affect the owner. In such cases, approval authority may increase managers' empathetic concerns toward the owner, leading to an "empathizing" effect that increases managers' honesty in reporting.

Due to these competing psychological forces, *a priori*, it is not clear how delegating approval authority to managers will influence their own honesty in nonremote environments. Therefore, we explore this issue in the following research question.

RQ1: In nonremote environments, what is the effect of exercising approval authority over employees' budgets on managers' own reporting behavior?

Next, we discuss how these effects may play out in remote work environments.

Remote Work Environments

In recent years, with rapid technological advancements, firms have increasingly granted employees flexibility in work modes and locations (Spreitzer, Cameron, and Garrett 2017; Peek 2020). Some research asserts that 37 percent of jobs in the United States can be performed entirely at home, and that these jobs generally pay higher wages than those that cannot be performed remotely (Dingel and Neiman 2020; Adamczyk 2023). Further, researchers suggest that the COVID-19 pandemic has created an irreversible effect on workforce preferences whereby employees, particularly younger generations, now embrace more flexible and remote work arrangements enabled by technology to maintain work-life balance (Baudot et al. 2022).

However, remote work poses new challenges to management control, including increased challenges in monitoring and communication (Mulki, Bardhi, Lask, and Nanavaty-Dahl 2009; Raiborn and Butler 2009; Errichiello and Pianese 2016). Recent accounting research has begun examining how remote work influences the functioning of management control systems. For example, Lill (2020) finds that employees working under individual-based incentives perceive an identical probabilistic audit as less effective when monitoring distance increases. In particular, remote work may influence individuals' behavior in budget reporting processes (Humphreys and Trotman 2022). On the one hand,

remote work can enhance perceived autonomy, potentially improving morale (Gajendran, Ponnappalli, Wang, and Javalagi 2024). On the other hand, increased challenges in monitoring and supervision may create opportunities for individuals to pursue self-interest at the cost of the organization. For example, Brügggen et al. (2024) find that employees who self-select to work from home (i.e., those with lower trait honesty) exploit reduced oversight in remote work settings and misreport more than those who choose to work on-site.³

These findings suggest that the quality of accounting information transmitted through internal reporting processes might be compromised by increased opportunistic behavior in remote environments, particularly in organizations that grant employees flexibility in work modes. Extending this literature, we investigate whether such control challenges in remote work can be mitigated through the use of budget approval authority in a more complex hierarchical setting. Further, we examine the effects of approval authority not only on employees' behavior but also on the behavior of managers who exercise the authority, thus providing broader insights into its implications for organizational efficiency.

The Effects of Approval Authority on Reporting Behavior in Remote Environments

When performing organizational tasks, individuals often need to interact with others at different hierarchical levels of the organization, and remote work increases the spatial distance among them. Spatial distance is a key dimension of individuals' perception of psychological distance from a task (Jia, Hirt, and Karpen 2009). According to construal level theory, psychological distance affects the mindset with which individuals evaluate, interpret, or process the task (Trope and Liberman 2000, 2003, 2010). Specifically, when individuals perceive a target as psychologically near, as is typically the case in nonremote environments, their mental representation of the target tends to be more concrete (Fujita, Henderson, Eng, Trope, and Liberman 2006; Williams and Bargh 2008). A concrete construal leads individuals to focus on the superficial features of the target (Henderson and Wakslak 2010). As a result, when employees and managers consider budget reports in nonremote environments, they may adopt a conventional decision frame and assess the reporting task as they would any other business decision.

By comparison, when individuals perceive a target as psychologically distant, their mental representation of the target becomes more abstract, leading them to focus on its superordinate or primary features (Williams and Bargh 2008; Burgoon, Henderson, and Markman 2013). The abstract construal in psychologically distant situations is likely to activate normative values, as they are cognitively represented at an abstract level (Eyal et al. 2008; Giacomantonio et al. 2010). These values, in turn, guide individuals' behavior in various circumstances (Singer 1985; Schwartz and Bilsky 1987; Maio, Hahn, Frost, and Cheung 2009). Thus, when employees and managers contemplate budget reports in remote work environments, the moral implications of the reporting task may become salient (Eyal and Liberman 2012). For employees, the heightened moral considerations may increase the overall truthfulness of their budget reports but are unlikely to alter the effect of budget approval authority on their behavior. Thus, we expect that budget approval authority will have a positive effect on employees' honesty (similar to its effect in nonremote environments). We formally state this in the following hypothesis.

H2: In remote environments, budget approval authority will increase employees' budget reporting honesty.

For managers, heightened attention to normative values, driven by abstract construal in psychologically distant situations, can reduce their likelihood of engaging in moral licensing (i.e., self-justifying their misreporting) (Trope and Liberman 2010). Instead, as managers deliberate on whether employees' budgets are acceptable, these heightened values can prompt them to experience the owner's feelings, which increases their likelihood of being empathetic toward the owner.⁴ This greater empathy, in turn, may lead managers to act more honestly in their own reporting.⁵ However,

³ Brügggen et al. (2024) focus on a two-level agency setting where employees make budget reports to hypothetical owners.

⁴ Although remote environments may increase managers' overall moral concerns, our primary interest lies in examining the moral dimension specifically associated with exercising approval authority. Because approval authority inherently involves evaluating and considering others' actions, it is particularly likely to evoke empathy through perspective taking as managers deliberate on how to exercise their discretion. Some other moral factors (e.g., fairness) might be closely correlated with empathy (Singer 2006)—for instance, managers might experience empathy because they felt misreporting would be unfair to the owner. We use post-experimental questionnaire data to examine the role of fairness concerns in remote environments (details provided later).

⁵ The psychology literature on empathy generally distinguishes between two forms of empathy: affective (or simple) empathy and cognitive (or complex) empathy (Shamay-Tsoory, Aharon-Peretz, and Perry 2009; Zahavi 2012). Affective empathy involves sharing another person's affective mental state (Slote 2007) and consists of simply catching another person's feelings. Cognitive empathy is a less direct and more mediated form of interpersonal understanding that requires knowledge that is more sensitive to the situation and context and more prone to misinterpretation and error (Slote 2007; Hatfield, Rapson, and Le 2011). We suggest that remote settings may increase managers' *affective empathy*, but not necessarily *cognitive empathy*, because the former is more likely to underlie moral or altruistic decisions (e.g., Smith 2006; Pokorny, Preller, Kometer, Dziobek, and Vollenweider 2017).

we are not able to predict *ex ante* whether this strengthened “empathizing” effect will completely outweigh the “moral licensing” effect. Therefore, we examine this relationship as a research question.

RQ2: In remote environments, what is the effect of exercising approval authority over employees’ budgets on managers’ own reporting behavior?

III. METHOD

Experiment 1

Research Design

We conduct two experiments to test our hypotheses. Experiment 1 focuses on nonremote environments, whereas Experiment 2 focuses on remote environments.⁶ Participants in Experiment 1 complete the experiment in the university’s behavioral laboratory on campus. Participants sit in individual workstations with solid partitions dividing them. The experiment consists of ten independent rounds. Participants are randomly assigned to the role of owner, manager, or employee. At the start of each round, each owner is randomly matched with one manager and one employee to create a firm. The employee submits a budget report to the manager, who subsequently submits an independent, unrelated budget report to the owner. Both employees and managers can over-report budget costs to increase their own payoff at the expense of the owner’s.

We manipulate between-participants whether the manager has the authority to approve or reject the employee’s budget (Authority versus No-Authority). In the Authority condition, the manager selects a threshold amount, and the employee’s budget is automatically rejected if it exceeds this threshold. In the No-Authority condition, the manager does not have this ability to select a threshold and thus all employee budgets receive approval. For approved budgets, the employee receives the budgeted funds from the owner.⁷ We manipulate approval authority in this manner rather than allowing managers to observe and then approve or reject employees’ reports to ensure that managers’ reporting behavior is not influenced by employees’ behavior to provide a clean test of our theory.

Participants and Procedures

We recruit 147 participants from a participant pool of business students at a large U.S. public university in February 2020. Manager and employee participants have, on average, 2.5 years of work experience, and 58 percent are female. Participants receive extra credit in their introductory accounting course, a fixed \$5 payment, and payoffs from the experiment. In all experimental conditions, participants begin by reading the instructions and completing a series of short quizzes to ensure comprehension. The instructions describe the task and payoffs for each role. Participants learn their role, complete a practice round, and then follow the detailed steps of the experiment described below. They earn an experimental currency, Lira, which converts to U.S. dollars at a rate of 125 Lira per dollar.⁸ After finishing the experiment, participants answer a post-experimental questionnaire. We next describe the steps of the experiment for all conditions, noting the differences necessitated by the experimental manipulation for each condition. Figure 1 provides an overview of the procedures.

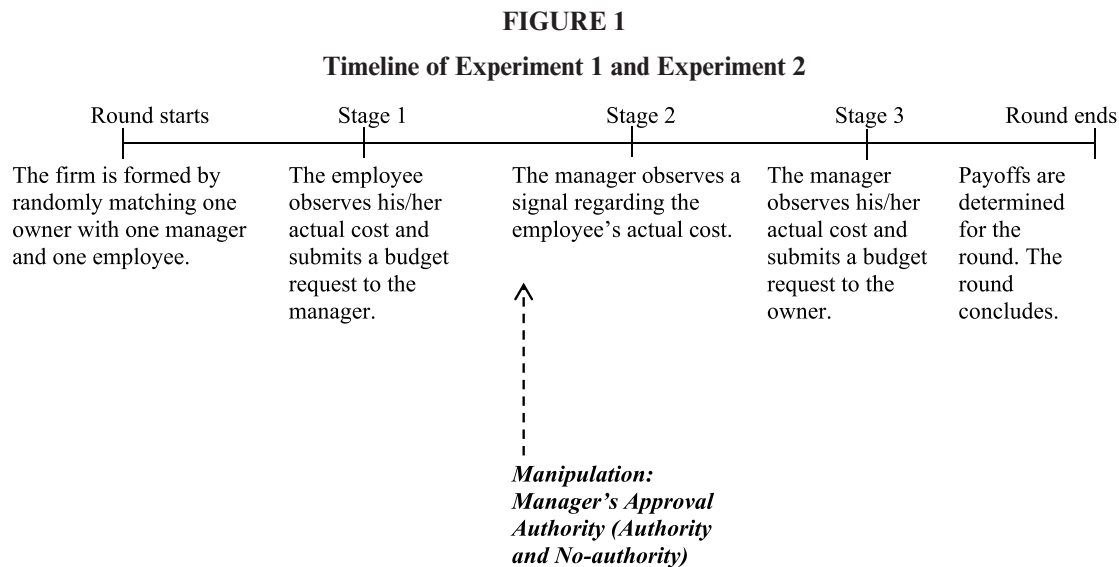
The design of the experiment follows the basic participative budgeting setup in Evans et al. (2001) and modifies it into a sequential reporting setting within a hierarchical agency relationship. As shown in Figure 1, in stage 1, the employee submits a budget request to the manager for funding of a project. This project generates a revenue of 4,000 Lira from product sales. The production cost of the employee’s project ranges from 2,000 to 4,000 Lira, in 50 Lira increments, and is randomly determined each round.⁹ The employee knows the actual cost, while the manager knows whether the employee’s actual cost ranges from 2,000 to 2,950 Lira or from 3,000 to 4,000 Lira. The owner only knows that the employee’s actual cost ranges from 2,000 to 4,000 Lira. We provide the manager a signal of the employee’s actual cost (either in the upper or lower half of the cost range) to ensure that the manager has an informational advantage over the owner, providing a basis for delegating budget approval authority to the manager.

⁶ The experiments were approved by the university’s Institutional Review Board.

⁷ We originally had a second manipulation of the manager’s incentives in both Experiment 1 and Experiment 2. With this manipulation, employee slack either reduced only the owner’s payoff or reduced both the owner’s and the manager’s payoffs. We find that this manipulation has no effect (i.e., neither a main effect nor an interactive effect with the other two manipulated variables) on our dependent variables. Therefore, we exclude this manipulation from further analysis and combine the data across both incentive conditions for the remainder of Section IV.

⁸ In our experiment, approval authority is exogenously determined to eliminate the confounding effect of the intention behind control choices on individuals’ behavior. The instructions state that the manager has approval authority without suggesting that the owner had any input into the decision. Additionally, participants read instructions for all roles and were then randomly assigned to, and informed of, their role. This further reinforces the notion that approval authority was not “granted” by any participant.

⁹ For employees’ and managers’ reporting, we randomly selected the actual cost for each round before the experiment and applied the same set of costs across all sessions. This eliminates the likelihood that cost differences across conditions might impact our results.



In stage 2, the manager receives the aforementioned signal of the employee's actual cost. Then, depending on the experimental manipulation, the manager either sets a threshold for budget approval rejection or does not. In stage 3, the manager views the actual cost of his or her own project and submits a budget request to the owner for funding. The manager is responsible for a project that generates revenue of 6,000 Lira. The cost of the manager's project ranges from 4,000 to 6,000 Lira, in 50 Lira increments, and is randomly determined each round. The manager knows the actual cost, whereas the owner only knows that the manager's actual cost ranges from 4,000 to 6,000 Lira. The owner always approves the manager's budget reports. In all conditions, managers do not learn their matched employee's submitted budgeted cost, nor do employees learn their matched manager's submitted budgeted cost. This design choice ensures that participants' choices are not influenced by descriptive norms regarding overall honesty (Cardinaels and Yin 2015).

After stage 3, the owner, manager, and employee learn their payoffs for the round. Additionally, employees in the Authority condition learn whether their budgets were approved or rejected by their manager. Owners, managers, and employees are then randomly rematched to create new firms. This process repeats for ten rounds. After the tenth round, one round is randomly selected, and compensation is calculated based on that round. Participants then complete post-experimental questions and receive payment.

Payoff Structures

In each round, the employee earns a fixed salary of 1,000 Lira plus the difference between the employee's budgeted cost and employee's actual cost. The employee's actual cost ranges from 2,000 to 4,000, and the budgeted cost can be anything between the actual cost and 4,000. If the employee's budget is not approved in the Authority condition, the employee only receives the fixed salary of 1,000 Lira. The manager earns a Fixed salary of 1,000 plus the difference between the Manager's Budgeted Cost and the Manager's Actual Cost. The manager's actual cost ranges from 4,000 to 6,000, and the budgeted cost can be anything between the actual cost and 6,000. The owner earns a fixed salary of 1,000. In addition, the owner is paid the difference between the employee's project earnings of 4,000 minus the employee's budgeted cost (only if the employee's project is approved) plus the difference between the manager's project earnings of 6,000 minus the manager's budgeted cost.¹⁰ Note that the employee's project is automatically approved under No-Authority conditions, but are either approved or not depending on the manager's set threshold decision under Authority conditions.

¹⁰ As we note in footnote 8, we originally had a second manipulation of the manager's incentives in both Experiment 1 and Experiment 2. In some sessions, the difference between the employee's project earnings of 4,000 minus the employee's budgeted cost that was due to the owner was split equally between the owner and the manager.

Experiment 2

Experiment 2 focuses on remote environments. Participants complete the experiment online using their home computers. At their assigned time, participants log into the online meeting platform WebEx. Once in the WebEx meeting room, a facilitator provides an overview of the experiment. While in the WebEx room, participants turn off their video to ensure anonymity and are restricted from chatting with anyone except the facilitator. The facilitator then provides all participants with a link to the oTree instrument (Chen, Schonger, and Wickens 2016). Participants remain in the WebEx meeting room while completing the experiment on oTree, allowing them to contact the facilitator if needed. After all participants complete the last round of the experiment and fill out the exit questionnaire, the facilitator provides details on how to collect their compensation. The experimental design, task, procedures, and compensation methods mirror those of Experiment 1. We manipulate between-participants whether the manager has budget approval authority (Authority versus No-Authority).

In November 2020, we recruited 168 participants to participate in Experiment 2 from the same participant pool used in Experiment 1. At this time, the introductory accounting course was conducted remotely. Manager and employee participants have an average work experience of 2 years, and about 46 percent are female.¹¹

IV. RESULTS

Experiment 1: Nonremote Environments

Manipulation Checks

Managers and employees respond to post-experimental questionnaire items using a seven-point Likert scale (1 = strongly disagree; 7 = strongly agree). To assess the effectiveness of the approval authority manipulation, we examine managers' responses to the statement "I had the opportunity to accept or reject the employees' budget cost each round" and employees' responses to the statement "The manager had the opportunity to accept or reject my budget cost each round." Mean responses from managers (2.75 versus 6.62) and employees (4.04 versus 6.74) in the No-Authority condition are significantly lower than in the Authority condition (both $p < 0.001$).¹² These results indicate that the between-subject manipulation of managers' approval authority was successful.¹³

We also assess whether employees and managers understand that misreporting negatively affects their owner's payoff by examining their responses to the following statement, "If I reported a budget cost that was higher than my actual cost, it reduced my owner's compensation." Across all conditions, both employees' and managers' responses are significantly higher than the neutral response of four toward "strongly agree" (both means ≥ 5.33 ; $p \leq 0.001$). These results suggest that the conflicting interests between the budget reporters and owners were salient.

Descriptive Statistics

Panel A of Table 1 presents descriptive statistics for managers' and employees' average reporting honesty across experimental conditions. Managers' average honesty is 47 percent when they do not have approval authority and 37 percent when they have approval authority. Employees' average budget reporting honesty is 51 percent with no managerial approval authority and 65 percent with managerial approval authority.

Test of H1 and RQ1

H1 predicts that approval authority positively affects employees' honesty when organizational parties work *nonremotely*. To test H1, we conduct a one-way ANOVA with employees' percent honesty as the dependent variable and approval authority as the independent variable. Panel B of Table 1 presents the results. We find that manager's approval authority has a significant effect on employees' honesty ($p = 0.025$, one-tailed), indicating that employees report more honestly under Authority than No-Authority in nonremote environments. This result is consistent with H1.

To examine RQ1, we conduct a one-way ANOVA, with managers' percent honesty as the dependent variable and the presence of approval authority as the independent variable. As reported in Panel C of Table 1, the effect is not statistically significant ($p = 0.268$), suggesting that exercising approval authority does not significantly influence managers' own honesty.

¹¹ We do not find significant differences in participants' gender, work experience, or remote-work experience between Experiments 1 and 2 (p -values > 0.198). However, these comparisons need to be interpreted with caution because the two experiments were conducted at different times, and participants were not randomly assigned across experiments.

¹² All reported p -values are two-tailed unless otherwise specified.

¹³ Out analysis excludes three (four) participants assigned as employees (managers) as those participants either dropped off the experimental session before they completed the tenth round or the post-experimental questionnaire.

TABLE 1
Experiment 1: Nonremote Environment

Panel A: Descriptive Statistics of Average Reporting Honesty by Experimental Condition

Reporter Type	Manager's Approval Authority	
	No-Authority	Authority
Manager		
n	24	21
Mean	47.26%	37.10%
(Std. Dev.)	(0.31)	(0.43)
Employee		
n	23	23
Mean	50.85%	65.38%
(Std. Dev.)	(0.28)	(0.20)

Panel B: One-Way ANOVA of Employees' Average Reporting Honesty (Test of H1)

Dependent Variable: *Employee's Reporting Honesty*

Source	df	MS	F-statistic	p-value
Intercept	1	15.54	262.96	<0.001
Manager's Approval Authority	1	0.24	4.11	0.025 ^a
Error	44	0.06		

Panel C: One-Way ANOVA of Managers' Average Reporting Honesty (Test of RQ1)

Dependent Variable: *Manager's Reporting Honesty*

Source	df	MS	F-statistic	p-value
Intercept	1	7.97	87.03	<0.001
Manager's Approval Authority	1	0.12	1.26	0.268
Error	43	0.09		

Experiment 1 focuses on the nonremote setting in which employees, managers, and owners interact in a computer lab where all sit in computer terminals with partition dividers. Experiment 2 focuses on the remote reporting environment in which employees, managers, and owners interact remotely from their home computers. Manager Authority is a between-subjects manipulation as either present or absent. When present, the manager decided on a threshold for the budget cost, above which the employee's budget request would be rejected. When absent, all employee budget requests are approved. Reporter Type is manipulated between subjects and refers to whether the budget reporter is assigned the employee role or the manager role.

^a Indicates a one-tailed test for a directional prediction.

Variable Definitions:

Employee's Reporting Honesty = 1 – (employee's slack claimed / slack available), averaged for the ten rounds; and
Manager's Reporting Honesty = 1 – (manager's slack claimed / slack available), averaged for the ten rounds.

Owners' Welfare

In our setting, the presence of approval authority influences owners' welfare through its impact on both employees' and managers' reporting behavior. To assess the effect of these dynamics on owners' welfare, we first examine the effect of Authority on the residual value from the manager's project (i.e., 6,000 – the manager's budgeted cost). We find that the residual value from the manager's project under authority (375 Lira) is lower than that value under no authority (468). We tested the effect of authority on the residual value from the manager's project using a linear mixed-effects model with random intercepts for participant ID and round (one through ten), specified as the repeated within-participant measure, and find a marginal negative effect for Authority ($F_{448} = 3.15$, $p = 0.08$). Then, we examine the effect of Authority on the residual value from the employee's project (i.e., 4,000 – the employee's budgeted cost). Noting that, although approval authority can reduce employee misreporting, it may also impose an economic cost on owners because they earn no income when an inflated employee budget is rejected. We find that the residual value from the employee's project under authority (370 Lira) is lower than that value under no authority (520). We tested the effect

of authority on the residual value from the employee's project using a linear mixed-effects model and find a negative effect for Authority ($F_{458} = 6.87$, $p = 0.01$), suggesting that exercising control over employees ultimately may come at the expense of owners' efficiency in nonremote environments.

Experiment 2: Remote Environments

Although the above results for Experiment 1 focus on nonremote environments, Experiment 2 repeats the same analysis focusing on remote environments, where participants complete the task remotely from their home computers.

Manipulation Checks

To assess the approval authority manipulation, we examine managers' and employees' responses to the same post-experimental items we use in Experiment 1, which ask whether managers had the opportunity to accept the employees' budget cost each round. Mean responses from managers (2.60 versus 6.00) and employees (3.41 versus 6.64) indicate that the between-subject manipulation of managers' approval authority was successful ($p < 0.001$).¹⁴ We also assess whether employees and managers understood that misreporting negatively affected their owner's payoff. Managers' and employees' responses to the corresponding post-experimental item in all conditions are significantly higher than the midpoint of four (both means ≥ 5.66 ; $p < 0.001$), suggesting that the conflicting interests between the budget reporters and owners were salient.

Descriptive Statistics

Panel A of Table 2 presents descriptive statistics for managers' and employees' average reporting honesty in remote environments across experimental conditions. Managers' average budget reporting honesty is 38 percent when they do not have approval authority and 51 percent when they do have approval authority. Consistently, employees' average budget reporting honesty is 49 percent under no managerial approval authority and 72 percent when managers have approval authority. These results suggest that approval authority affects both managers and employees in the same direction.

Test of H2 and RQ2

H2 predicts that approval authority positively affects employees' honesty when organizational parties work remotely. To test H2, we conduct a one-way ANOVA with employees' percent honesty as the dependent variable and approval authority as the independent variable. Panel B of Table 2 provides the results. We find that approval authority significantly affects employees' honesty ($p < 0.001$, one-tailed), suggesting that employees report more honesty under Authority than under No-Authority in remote environments. This finding supports H2.

To examine RQ2, we conduct a one-way ANOVA with managers' percent honesty as the dependent variable and approval authority as the independent variable. As reported in Panel C of Table 2, exercising approval authority significantly increases managers' own honesty ($p = 0.065$). This result is consistent with our theory, suggesting that remote environments strengthen the "empathizing" effect, which in turn positively influences managers' reporting behavior.

We further examine the relationship between managers' control decisions and reporting decisions using a ratio measure (*THRESHOLD%*), calculated as (threshold level – lower limit of known range) / (upper limit – lower limit of known range), where lower values indicate stricter controls. Lower *THRESHOLD%* might relate to higher honesty (i.e., a negative association) due to increased empathy. On the other hand, as stricter controls can be costly for owners, it may be optimal to incorporate employees' social preference for honesty when setting the rejection threshold (Mittendorf 2006). Because managers' beliefs about employee honesty may anchor on their own honesty (Marks and Miller 1987), *THRESHOLD%* could also be positively associated with managers' honesty. We find a positive association between *THRESHOLD%* and managers' honesty in both nonremote (Spearman correlation = 0.12, $p = 0.083$) and remote (0.15, $p = 0.011$) settings. Although this pattern suggests that managers' control choices reflect their perceived employee honesty, which in turn depends on their own honesty, we are unable to disentangle the specific mechanism and leave a more systematic investigation to future research.¹⁵

¹⁴ Our analysis excludes three participants assigned as managers as those participants either dropped off the experimental session before they completed the tenth round or the post-experimental questionnaire.

¹⁵ We also compare the managers' rejection threshold after they receive the cost signal to the theoretical production hurdle (Antle and Eppen 1985), defined as the midpoint of the cost range given the signal (i.e., 2,500 and 3,500 Lira). In both Experiment 1 (in-person) and Experiment 2 (remote), managers set rejection thresholds above the midpoint when they received a low-cost range signal (2,718 and 2,663 versus 2,500, respectively; both $p < 0.01$). In Experiment 1 (Experiment 2), managers set thresholds no different from (higher than) the midpoint when they received a high-cost signal (3,539 and 3,588 versus 3,500; $p = 0.38$ and $p < 0.01$, respectively).

TABLE 2
Experiment 2: Remote Environment

Panel A: Descriptive Statistics of Average Reporting Honesty by Experimental Condition

Reporter Type	Manager's Approval Authority	
	No-Authority	Authority
Manager		
n	25	28
Mean	37.64%	51.22%
(Std. Dev.)	(0.25)	(0.27)
Employee		
n	28	28
Mean	48.97%	72.17%
(Std. Dev.)	(0.29)	(0.18)

Panel B: One-Way ANOVA of Employees' Average Reporting Honesty (Test of H2)

Dependent Variable: Employee's Reporting Honesty

Source	df	MS	F-statistic	p-value
Intercept	1	20.55	363.45	<0.001
Manager's Approval Authority	1	0.75	13.32	<0.001 ^a
Error	54	0.06		

Panel C: One-Way ANOVA of Managers' Average Reporting Honesty (Test of RQ2)

Dependent Variable: Manager's Reporting Honesty

Source	df	MS	F-statistic	p-value
Intercept	1	10.43	152.25	<0.001
Manager's Approval Authority	1	0.24	3.55	0.065
Error	54	0.07		

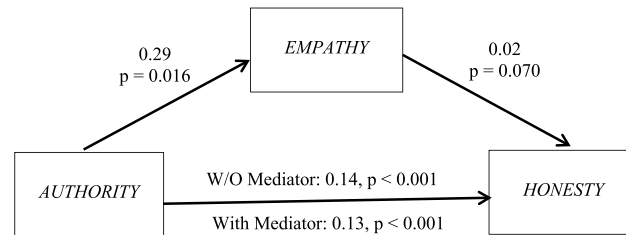
^a Indicates a one-tailed test for a directional prediction.
See Table 1 for the variable definitions.

Additional Analysis

To further examine the psychological process underlying managers' reporting decisions in remote environments, we measure managers' empathy toward owners in the post-experimental questionnaire. As noted earlier, prior research distinguishes between affective and cognitive empathy (see footnote 5). Our theory suggests that remote settings foster affective empathy, which is more strongly related to moral or altruistic behavior (Pokorny et al. 2017; Cecchetto, Korb, Rumiati, and Aiello 2018; Khalid and Dickert 2022). To test this, we conduct a mediation analysis using a post-experimental item, "I considered the owner's feelings before I made my decision" (1 = strongly disagree; 7 = strongly agree). As reported in Figure 2, approval authority significantly increases managers' empathy toward owners ($p = 0.016$, one-tailed), and greater empathy, in turn, increases the honesty of their reports ($p = 0.070$, one-tailed). After controlling for empathy, the relationship between approval authority and managers' honesty remains statistically significant ($p < 0.001$), suggesting that empathy partially mediates the impact of approval authority on honesty. These results are consistent with our theory.

We also examine whether approval authority influences other moral considerations, such as fairness. In the post-experimental questionnaire, managers allocate 100 points across several factors that could influence their reporting decision, including "Report a budget that is equal to my actual cost," "Maximize my own earnings," "The owner receives a fair payoff," and "Other," with higher point allocations indicating greater influence. We find that, corroborating our main results, managers assign marginally more weight ($p = 0.093$) to "Report a budget that is equal to my actual cost" under Authority (31) than under No-Authority (30). The weight assigned to "The owner receives a fair

FIGURE 2
Experiment 2 Mediation Analysis



p-values are one-tailed for tests of directional predictions.

Variable Definitions:

AUTHORITY = a dummy variable that equals 1 for the Authority condition and 0 otherwise;

EMPATHY = participants' response to the post-experimental item, "I considered the owner's feelings before I made my decision" (1 = strongly disagree; 7 = strongly agree); and

HONESTY = measured as: 1 – (manager's slack claimed / slack available), averaged for the ten rounds.

payoff" is significantly higher ($p = 0.022$) under Authority (25) than under No-Authority (22). We repeat the mediation test in Figure 2 after including this fairness measure as an additional mediator.¹⁶ Untabulated results show that, although approval authority increases managers' fairness concerns ($p = 0.007$, one-tailed), these concerns have no impact on their honesty ($p = 0.555$). Therefore, we find no evidence that fairness concerns play a big role in managers' reporting decisions.

Owners' Welfare

To examine the impact of approval authority and budget reporting on owners' welfare, we first examine the effect of Authority on the residual value from the manager's project (i.e., 6,000 – the manager's budgeted cost). We find that the residual value from the manager's project under authority (490 Lira) is higher than that value under no authority (376). We tested the effect of authority on the residual value from the manager's project using a linear mixed-effects model with random intercepts for participant ID and round (one to ten), specified as the repeated within-participant measure, and find a significant positive effect for Authority ($F_{528} = 9.99$, $p < 0.01$). Then, we examine the effect of Authority on the residual value from the employee's project (i.e., 4,000 – the employee's budgeted cost). We find that the residual value from the employee's project under authority (400 Lira) is lower than that value under no authority (506), and a linear mixed-effects model shows a negative effect for Authority ($F_{558} = 25.00$, $p < 0.01$), suggesting that exercising control over employees ultimately may come at the expense of owners' efficiency in remote environments.

Supplemental Experiment

We conduct a vignette-based supplemental experiment to address several possible alternative explanations for our main results. First, as discussed earlier, rejecting an employee's inflated budget can impose an economic cost on owners because it results in zero income. Thus, managers might be uncertain about whether owners place greater value on honesty or on economic efficiency, whereas granting approval authority could serve as a signal that owners value honest reporting. If managers internalize this emphasis on honest reporting, they might be more inclined to report honestly. Second, it is possible that, when exercising approval authority in a remote environment, managers might feel less capable of exercising effective control, which could cause them to reduce misreporting to help the owner. Third, in our experiment, manager- and employee-participants receive the same base pay. If managers believe they should earn more than employees (especially when they hold approval authority), this perceived entitlement could interfere with our predicted psychological effects and affect their reporting behavior.

¹⁶ The mediation analysis was conducted using Hayes's (2017) PROCESS Model 4 in SPSS on data structured in long format, with each participant's honesty across the ten rounds treated as an individual observation. The weight assigned to "Maximize my own earnings" does not significantly differ ($p = 0.667$) between Authority (45) and No-Authority (44).

TABLE 3
Vignette-Based Supplemental Experiment Results

Panel A: Managers' Perception of Top-Level Preferences^a

	Manager's Approval Authority	
	No-Authority	Authority
In-Person		
n	51	50
Mean	5.02	5.66
(Std. Dev.)	(1.53)	(1.27)
Remote		
n	50	49
Mean	5.32	5.22
(Std. Dev.)	(1.80)	(1.75)

(continued on next page)

In this supplemental experiment, participants are introduced to a hierarchical budget reporting setting (top manager, middle manager, and subordinate) similar to the setting used in the main experiments. Participants assume the role of the middle manager. We provide participants with descriptions of the company background, hierarchical structure, job responsibility, and work environment. Specifically, the vignette describes a U.S.-based company (Beta Ltd.) that purchases parts from suppliers and assembles electrical equipment, with the middle manager overseeing a subordinate responsible for submitting a budget request to top management. We manipulate two between-subject factors: whether their work environment is remote or nonremote (*REMOTE*) and whether the middle manager has approval authority over the subordinate's budget or not (*AUTHORITY*). In the remote condition, the manager, subordinate, and top manager work from different locations and interact electronically, whereas in the nonremote condition, all three work in the same facility. In the Authority condition, the middle manager reviews and approves the subordinate's budget before submission, whereas in the No-Authority condition, the subordinate's budget bypasses the middle manager and goes directly to the top manager. We do not have participants exercise approval discretion or make budget reports because our primary interest in this experiment is to measure how the remote work environment and having approval authority affect managers' perceptions.

We recruited 200 participants via Prolific, applying the following screening criteria: U.S. residents with an approval rate greater than 90 percent and a minimum of 1,000 previously completed studies. Each participant was randomly assigned to one of the four conditions and allowed to participate only once. Participants' mean age was 43.7 years (Std. Dev. = 12.7), with an average of 19.5 years of work experience and 2.8 years of remote work experience. The sample was evenly split between males (49.0 percent) and females (49.5 percent), with 1.5 percent missing gender data.

To test whether managers interpret approval authority as a signal that the top level prioritizes honesty, we ask them to indicate what they believe the top level cares about more when receiving the subordinate's budget (1 = whether the budget exactly matches the actual cost; 7 = the impact of approving or rejecting the budget on the company's profits).¹⁷ Panel A of Table 3 provides the descriptive statistics. We conduct an untabulated two-way ANOVA with this rating as the dependent variable and *REMOTE*, *AUTHORITY*, and their interaction as independent variables. The main effects are not significant ($p \geq 0.265$), and the interaction effect is marginally significant ($p = 0.085$). Simple-effect tests show that the rating is significantly higher ($p = 0.024$) under Authority (5.66) than under No-Authority (5.02) in the nonremote setting, but the difference is not significant in the remote setting (5.18 versus 5.32, $p = 0.694$). That is, approval authority appears to lead managers in nonremote environments to believe that the top level prioritizes economic efficiency rather than honesty, whereas it has no such effect in remote environments. These results are inconsistent with this alternative explanation.

To assess whether managers perceive themselves as less capable of exercising effective control in remote settings than in nonremote settings, we ask managers who are granted approval authority to indicate their agreement with the statement, "Given the authority to approve the subordinate's budget, I feel that I can do this job well" (1 = strongly disagree; 7 = strongly agree). Panel B of Table 3 shows that this rating does not significantly differ using an

¹⁷ Within the instrument, participants in all conditions receive an example in which the true cost is 5,000 and their subordinate's budget request is 5,500. Participants then read, "If the budget request is accepted, your subordinate gets to privately keep 500" (emphasis added). Therefore, participants in the No-Authority condition know that a budget request could be approved or not, but that they do not have that authority themselves.

TABLE 3 (continued)

Panel B: Managers' Perception of Their Ability to Exercise Good Control^b

Authority Condition	
In-Person	
n	50
Mean	5.55
(Std. Dev.)	(1.12)
Remote	
n	49
Mean	5.62
(Std. Dev.)	(1.23)

Panel C: Managers' Perception of Pay Fairness^c

	Manager's Approval Authority	
	No-Authority	Authority
In-Person		
n	51	50
Mean	4.84	5.10
(Std. Dev.)	(1.12)	(1.27)
Remote		
n	50	49
Mean	4.96	5.10
(Std. Dev.)	(1.32)	(1.26)

This vignette-based supplemental experiment examined how work arrangement (remote versus in-person) and approval authority (present versus absent) influence managers' perceptions in a hierarchical budget reporting setting. Participants assumed the role of a middle manager supervising a subordinate who submitted budget requests to top management.

^a This item measured participants' primary concern when reviewing subordinates' budget submissions: "When your subordinate submits budgets to the top manager, which do you think the top manager cares about more? Whether the budget exactly matches the actual cost (1)–The impact of approving or rejecting the budget on the company's profits (7)." Lower (higher) scores indicate that the manager prioritizes accuracy and honesty (profit impact).

^b The item measured participants' perceived ability to exercise authority effectively in their assigned work setting: "Given the authority to approve the subordinate's budget, I feel that I can do this job well" (1 = strongly disagree; 7 = strongly agree).

^c This item assessed participants' perceptions of pay fairness: "The base pay is fair." Responses were measured on a seven-point scale (1 = strongly disagree; 7 = strongly agree), with higher scores indicating greater perceived fairness of pay.

independent sample t-statistic ($p = 0.798$) between remote (5.55) and nonremote (5.62) settings. This evidence suggests that concerns about control competence are unlikely driving our main results.

To assess whether manager-participants perceive the base pay as fair, we provide a description of the experimental payoff structure used in the main experiments. Then, we ask participants to indicate their agreement with the statement, "The base pay is fair" (1 = strongly disagree; 7 = strongly agree). Panel C of Table 3 provides the descriptive statistics. An untabulated two-way ANOVA, with this rating as the dependent variable and *REMOTE*, *AUTHORITY*, and their interaction as independent variables, show that neither the main effects ($p \geq 0.236$) nor the interaction effect ($p = 0.783$) are statistically significant. Thus, we find no evidence that fairness perceptions affect participants' decision-making.

V. CONCLUSION

Firms have increasingly adopted flexible work arrangements, and remote work has become a new norm, especially since the outbreak of the COVID-19 pandemic. In this paper, we examine the role of management control in the budgeting process in nonremote and remote environments. In our experiments, we find that managers' approval authority has a positive effect on employees' honesty under both nonremote and remote reporting. Notably, we also find that exercising approval authority significantly increases managers' honesty under remote reporting but does not significantly affect managers' honesty under nonremote reporting.

Our paper has several important implications for both theory and practice. We show that the remoteness of work environments has important psychological effects on the effectiveness of management controls. Specifically, remote environments promote abstract construal, which strengthens management control over employees' budget reporting and, more importantly, generates positive spillover effects on managers who exercise control authority. Our findings extend the burgeoning literature on how management control system design influences employee behavior in remote settings (Lill 2020; Brügggen et al. 2024). These findings are especially germane given the trend in the workplace toward remote working, hastened by the COVID-19 pandemic (Wang, Liu, Qian, and Parker 2021). Although work remoteness may be influenced by broader organizational factors, firms can tailor the delegation of decision authorities to maximize the benefits of the control system. In addition, middle managers often play dual roles in hierarchical organizations, serving as both a principal (for employees) and an agent (for owners). Our findings provide useful insight into how these roles might interact to influence managers' behavior. Firms may benefit from systematically aligning managers' multiple decision-making authorities to enhance the positive externality effects that can arise from multitasking.

Our paper is subject to limitations inherent in all experimental studies. Although our experimental results are consistent with construal level research suggesting that remoteness increases abstract construal and thereby enhances moral values, future research can further explore individuals' decision processes and more specifically examine the psychological mechanism underlying the development of construals in different work environments. Our experiment mimics organizational settings where managers only have rather coarse information about employees' actual costs. Yet in other settings, managers might be able to make more informed approval or rejection decisions if they have more precise signals about the actual state. Future research can examine whether such reduction in information asymmetry influences employees' budget reporting: for instance, it is possible that managers perceive their informational advantage as a greater help for owners, and such perceptions could lead to a stronger moral licensing effect overriding the impact of environment remoteness on employees' reporting behavior.

To provide a clean test of employees' and managers' honesty, in the experiments, we do not allow owners to use any formal controls over the budget reports, and they do not choose whether or not to delegate the managerial approval process because it was exogenously determined. However, in naturally occurring budgeting settings, owners could have their own controls. To the extent that the implementation of formal controls is costly, the net effect of adopting these controls on organizational efficiency is an empirical question that warrants future research. Moreover, future research can examine whether the *choice* of delegating versus not delegating approval authority influences managers' and employees' reporting behavior. In addition, although we refer to the reporting behavior as a measure of honesty consistent with earlier research (e.g., Evans et al. 2001; Rankin et al. 2008), we acknowledge that participants' decisions may also reflect other motivations (such as fairness considerations, fear of rejection, or strategic reasoning) rather than honesty alone. Future research could disentangle these underlying drivers to better isolate honesty preferences from other behavioral influences.

Finally, we are unable to make comparisons across experiments because of differences between data collection periods and a lack of random assignment. The timing difference between these two data collection periods resulted from the COVID-19 pandemic. We encourage future research that incorporates random assignment to compare findings in budgetary reporting across remote and nonremote environments. Despite these limitations, our paper makes an important contribution to the literature on psychological factors influencing budget reporting practices and offers useful insights into how work environment remoteness affects individuals' behavior under management control.

DECLARATION OF GENERATIVE AI AND AI-ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

During the preparation of this work, the authors used Chat GPT and Microsoft Copilot in order to check grammar and wording. After using this service, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

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