CONSULTANTS’ ADVICE TO ADOPT MANAGEMENT CONTROL SYSTEMS: THE JOINT EFFECT OF PERSUASION TRIGGERS AND MANAGER COMPETENCE

BY

JUSTIN LEIBY

DISSERTATION

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Doctoral Committee:

Professor Mark Peecher, Chair
Assistant Professor Jasmijn Bol, Director of Research
Assistant Professor Bradley Pomeroy
Professor Dolores Albarracin
Professor Kathryn Kadous, Emory University
Abstract

CFOs and other managers depend on consultants to provide advice on management control systems (MCS) and the expertise to implement these systems. However, there is little evidence on the determinants of the consultant’s advice about whether managers should adopt management control systems. I use multiple methods to investigate this ill-understood research question. In study 1, I interview senior practitioners to better understand the context and identify the manifestations of two common persuasion tactics in the consulting setting, specifically social proof and scarcity (Cialdini 1993; 2001), which are likely to influence the consultant’s advice to the manager.

In study 2, I conduct an experiment using professional consultants to investigate whether the consultant’s advice to adopt an MCS depends on its distinctiveness (i.e. whether or not the manager’s competitors have adopted the tool) and the manager’s competence. I predict and find that distinctiveness triggers the persuasion tactics of social proof or scarcity, and that the consultant applies these tactics based on the manager’s competence. Consultants are more likely to advise a distinctive versus non-distinctive MCS to an exceptional manager, while they are more likely to advise a non-distinctive MCS to an average manager. I provide evidence that consultants apply different persuasion tactics based on the competence of the manager. I also provide evidence that consultants believe that their advice will benefit the manager on multiple key performance indicators (KPIs). Consistent with persuasion theory, differences in these anticipated benefits explain the consultant’s advice to the exceptional manager, but not to the average manager. Finally, I discuss practical and theoretical implications of these studies.
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# Table of Contents

I. INTRODUCTION ........................................................................................................... 1

II. DEFINITIONS OF CONSTRUCTS ............................................................................. 6

III. STUDY 1 .................................................................................................................... 10

IV. STUDY 2 .................................................................................................................... 29

V. CONCLUSIONS ......................................................................................................... 51

REFERENCES .................................................................................................................. 57

FIGURES .......................................................................................................................... 66

TABLES ............................................................................................................................ 72

APPENDIX A. LIST OF INTERVIEW QUESTIONS FROM STUDY 1 ......................... 83

APPENDIX B. EXPERIMENTAL INSTRUMENT FROM STUDY 2 .......................... 84
I. Introduction

This dissertation examines whether the consultant’s advice to adopt a management control system (MCS) depends on the competence of the manager whom the consultant advises and the extent to which the manager’s competitors have adopted the MCS. The consultant is an external agent who provides CFOs and other managers with advice on the adoption of an MCS.\footnote{I define management control systems (MCS) as the “information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (Simons 1995, 5). Consultant-recommended MCS adoptions and changes include technologies such as business intelligence, customer relationship management, enterprise resource planning, and knowledge management, in addition to practices and ideas that directly affect MCS such as activity based costing, the balanced scorecard, and six sigma and total quality management. Consulting practitioners often refer to their advice as a solution.} MCS adoption introduces substantial uncertainty into firms as a result of direct costs, slowly materialized benefits, and resistance to change within firms, which necessitates persuasion tactics by the consultant to alleviate managers’ uncertainty (cf. Argyris 1990a; 1990b; Argyris and Kaplan 1994).\footnote{There are numerous anecdotes about the positive and negative effects of these MCS, such as ERP technology on accounting information. In a recent example, Overstock.com CEO John Byrne blamed the implementation of an Oracle ERP system for errors that led to a restatement, which reduced revenue by $12.9 million and increased cumulative net loss by $10.3 million (Kanaracus 2008). In another case, Levi-Strauss blamed a 98% drop in 2008 Q2 earnings on its SAP system, which crashed and prevented its distribution centers from receiving and fulfilling orders for one full week in April 2008 (Sterlicchi 2008).} I argue that the extent to which the manager’s competitors have adopted an MCS—which I label the distinctiveness of an MCS—triggers persuasion tactics that enable the consultant to provide additional justification for the manager to adopt an MCS (cf. Cialdini 1993; 2001).\footnote{The distinctiveness of an MCS refers to the extent to which it differs from the MCS of other managers in the industry or some other reference group.} The appropriateness or salience of these justifications depends on the manager’s competence, and the consultant advises the manager to adopt an MCS based on the match between the tactic and the manager’s competence.
This study is the first to provide theory and evidence on how the consultant influences MCS, which form the foundation of the collection and reporting of accounting information within firms. Research has identified numerous determinants of MCS adoption, including the firm’s strategy, size, growth, age, complexity, and management characteristics, among others (cf. Davila and Foster 2005; 2007; Sandino 2007; Davila et al. 2009). Managers, however, depend on consultants to provide advice about potentially beneficial MCS and the expertise to implement these systems within firms, because MCS are often complex and managers lack the requisite knowledge to self-select. As such, evidence on the role of the consultant adds to our understanding of differences in the information available to managers when they choose MCS, and the ultimate design and effectiveness of MCS.

I test the research questions above using multiple methods in two studies. In the first study, I conduct a series of semi-structured interviews with senior consulting practitioners (average experience = 23.6 years), to validate the practical and theoretical relevance of my research questions and to identify how my constructs of interest operate in this setting. Interview responses suggest that consultants employ persuasion tactics as a means to reduce the manager’s uncertainty and resolve disagreements. Common persuasion tactics in this setting, specifically the use of rhetorical devices such as “best practices” and “customization,” correspond to the persuasion principles of social proof and scarcity, respectively (cf. Cialdini 1993). Responses also suggest that consultants are sensitive to the characteristics of the managers whom they advise and persuade, and formulate quick conclusions about the competence of the manager. Although consultants are aware that they engage in persuasion, the interviews do not provide empirical evidence of how consultants apply these tactics, which forms the objective of study 2.
In the second study, I use an experiment with professional consultants to test the relations among the constructs identified in study 1. The experiment presents consultants with the case of a CFO whose firm manufactures customized products and experiences customer disputes as a natural aspect of business. Combined with the firm’s decentralized accounting structure, these disputes cause problems on multiple dimensions, including receivables management, division performance evaluation, and customer satisfaction. Despite the CFO’s doubts about the benefits of decentralized accounting, the firm’s divisional managers like the decision support provided by the current structure. The experimental case controls for determinants of decentralization such as strategy, size, manager tenure, complexity, and growth.

The primary dependent measure is the likelihood with which the consultant advises the adoption of a relatively new SAP MCS that centralizes and automates credit management and collections. The experiment also measures the extent to which the consultant advises change in the underlying accounting processes, as well as predicted effects of the advice on key performance indicators and the effectiveness of the firm’s controls. The case manipulates the distinctiveness of the MCS between-participants: by stating that either seven of the firm’s competitors (non-distinctive) or none of them (distinctive) have adopted the MCS. The case also manipulates manager competence within-participants; the CFO either has an excellent track record and is in high demand by other firms (exceptional competence) or has an average track record and is in moderate demand (average competence) (see Figure 1).

I motivate my predictions from persuasion theory. A non-distinctive MCS triggers the social proof tactic, while a distinctive MCS triggers the scarcity tactic, both of which allow the consultant to provide simple and incremental justifications for MCS adoption (cf. Cialdini 1993; 2001). The likely appropriateness of these tactics differs based on the match between the
manager’s competence and the justification highlighted by the tactic. Specifically, the adoption of a distinctive MCS offers the exceptional manager the opportunity to outperform others, while the adoption of a non-distinctive MCS offers the average manager the opportunity to perform no worse than others (cf. Zwiebel 1995). I predict that the consultant is more likely to advise a distinctive MCS to an exceptional manager, but is more likely to advise a non-distinctive MCS to an average manager.

The results of study 2 are consistent with my predictions listed above. In supplemental analyses, I provide evidence that consultants employ different persuasion tactics by selectively sharing social proof information with average managers and scarcity information with exceptional managers. I find that consultants believe that their advice will benefit the manager on multiple accounting indicators, but that the exceptional manager is more likely than the average manager to realize these benefits.

Moreover, consultants believe that differences in their advice to exceptional managers are driven by genuine differences in the benefits that exceptional managers will realize from the advice (i.e., exceptional managers will actually benefit more from a distinctive versus non-distinctive MCS). This belief is consistent with the scarcity tactic that promises competitive advantage. Differences in consultants’ advice to average managers are not driven by differences in expected benefits, which is consistent with the social proof tactic that merely ensures the absence of disadvantages.

This study makes multiple contributions to both the accounting literature and the broader literature on persuasion. Specifically, this study is the first to examine the role of the consultant in MCS adoption, specifically to advise the manager on whether an MCS adoption is appropriate. I broaden the understanding of known determinants of MCS adoption by identifying consultant-
driven variations in the information and investment opportunities available to managers when they adopt MCS, and the likely effectiveness of the implemented systems.\(^4\)

In addition, this study contributes to the broader literature on persuasion, as it is the first study to theorize the joint effects of competence and distinctiveness on the application of persuasion tactics and the provision of advice. This connection between persuasion triggers and advice provision is new to the broader literature on persuasion. I identify key features of the consulting setting, which are ignored in psychology-based studies on advice and persuasion, and theorize the operation of these effects in a rich, applied setting. Thus, I provide a baseline and framework for research examining whether and how persuasion triggers and tactics operate in consulting and other applied settings.

My findings should interest practitioner and scholarly audiences in multiple accounting domains, including management accounting and auditing. For example, these findings suggest that consultants tend to target their recommendations to adopt MCS where persuasion attempts and ultimate adoptions are most likely to be successful and not necessarily where they are most needed.\(^5\) The consultant is also likely to provide a first mover advantage to exceptional managers, which suggests that average managers may need to invest more heavily in the solicitation of expert advice in order to achieve first mover advantages.

The remainder of this dissertation is organized as follows. Chapter II defines key constructs; chapter III describes study 1; chapter IV describes study 2; and chapter V includes conclusions and future research directions.

\(^4\) My experiment holds constant several known determinants of the investment opportunity set, such as assets in place and research and development activities (cf. Skinner 1993).

\(^5\) I measure and find no differences in the consultant’s assessment of control effectiveness.
II. Definitions of Constructs

Consultants and Consulting

A consultant is an external expert whose primary function is to provide advice. Consulting refers to the service provided by the consultant and includes the provision of advice to managers. For example, the consultant’s advice may present new options to the manager or enhance the precision of the manager’s existing choices.

Advice and Persuasion

Advice takes multiple forms. Examples of advice include a recommendation for or against a particular course of action, or the provision of information about alternative decisions or decision-making processes (Bonaccio and Dalal 2006; Dalal and Bonaccio 2010). People seek and receive advice in order to improve their judgments (cf. Sniezek and Buckley 1995; Yaniv and Kleinberger 2000; Kadous et al. 2011), to build confidence and make their judgments appear more justifiable to others (Heath and Gonzalez 1995; Kennedy et al. 1997), and to share risk or diffuse responsibility for consequential decisions (Harvey and Fischer 1997; Gold et al. 2010). The advisor or consultant does not have decision authority and therefore differs from a decision maker.

The preferred form of advice by decision makers is often the receipt of additional information about decision alternatives (Dalal and Bonaccio 2010). When people advise others or receive advice from others, relative to when they decide to seek information for themselves, they tend to have stronger preferences for unique or new information (Van Swol and Ludutsky 2007; Dalal and Bonaccio 2010) and exhibit weaker confirmation biases (Jonas and Frey 2003; Jonas et al. 2005). Thus, advisory settings lead advisors and advisees to demand new or different information. Advisors are often expected to expand the action or choice set that is available to
decision makers, either by identifying new choices or reducing the uncertainty surrounding existing choices.

In most experimental studies, advisors are neutral as to whether advisees follow their advice (Bonaccio and Dalal 2006), whereas real-life advisors such as consultants have incentives for clients to follow their advice. In experiments that do reward advisors whose advice is followed, advisors employ available means to ensure that advisees follow their advice. For example, there is evidence that advisors strategically inflate their confidence levels, which leads to increased use of their recommendations by decision makers (Sniezek and Buckley 1995; Hollenbeck et al. 1998).

In accounting, advice has primarily been studied as a means to influence and improve the judgments of auditors. Evidence from these studies links advice to the justifiability of judgments. Specifically, auditors believe that seeking advice makes their judgments more justifiable, even if the advice is not followed (Kennedy et al. 1997). Moreover, the degree to which the advisor’s conclusion is well-justified influences auditors’ perceptions of advice quality and, under some conditions, the extent to which auditors follow advice (Kadous et al. 2011). In contrast to these auditing studies, I focus on consultants who advise managers on the controls of their firms. In this setting, the consultant provides justification as a means to persuade the advisee to follow the recommendation, not as a means to defend the recommendation.

Advice often contains or entails persuasion. *Persuasion* refers to a process of communication that influences another person to adopt an idea, attitude, or action (Cialdini et al. 1981; Cialdini 1993). Note that advice and persuasion frequently co-occur, because a provider of advice must often actively persuade the decision maker to follow the advice. While the
consultant provides advice, s/he also influences the manager to value the advice and to purchase the consultant’s services.

**Persuasion Tactics**

Evidence suggests that, in order to convince a manager to follow his or her recommendations, the consultant’s advice is likely to include justifications that are consistent with core *persuasion tactics* (Cialdini 1993; 2001; Cialdini and Goldstein 2004). These tactics are means to reduce the persuasion target’s uncertainty about changing beliefs or actions and provide “reasons” to change that are incremental to a complete analysis of costs and benefits. Cialdini (1993; 2001) identifies six primary tactics. First, the *scarcity tactic* suggests that people are more likely to comply with a request when they believe that compliance would give them access to exclusive information or benefits. In other words, managers are more likely to act in accordance with the consultant’s advice, if doing so offers a competitive advantage. Second, the *social proof tactic* suggests that managers are more likely to comply with a request if others have already complied. In other words, managers are more likely to act as the consultant advises them to act, if having done so has benefited similar managers or firms.

Third, the *authority tactic* argues that people are more likely to comply with the requests of experts versus non-experts (cf. Cialdini 1993). For example, a manager may be more likely to follow advice as the consultant’s expertise becomes more evident through the inclusion of credentials on his or her business card (e.g. “Ms. Consultant, PhD, CPA”). Fourth, the *reciprocity tactic* is based on the norm of exchange that people comply with a request when the requester has done something for them. For example, charities that solicit donations by mail

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6 These persuasion tactics are also sometimes referred to as “heuristics.”
7 The social proof principle arises from Festinger’s (1954) Social Comparison Theory, which argues that people evaluate their own actions and beliefs in comparison to others, especially similar others.
frequently include small gifts such as address labels in an attempt to increase the recipient’s likelihood of donation. Fifth, the **liking tactic** suggests that people comply with the requests of people whom they like. The sixth tactic, the **consistency tactic**, suggests that people are more likely to comply with a request when they believe that compliance is consistent with their prior actions. For example, special interests that solicit donations may first ask a potential donor to sign a petition for the cause. Consequently, an actual donation will appear consistent with the donor’s signature of the petition.

In order to provide the cleanest and most parsimonious characterization of this new setting, I assume a one-period setting with little prior interaction between the consultant and the manager. The principles of authority, social proof, and scarcity are consistent with this assumption. Because expertise is a necessary condition for someone to be a consultant, I do not expect to observe meaningful variation in the application of the authority principle in this setting.

Multiple features of the consultant’s setting may influence the availability and application of persuasion tactics. In order to conduct a valid test (both internally and externally) of the consultant’s advice, a study must account for how features of the consulting setting influence the application of persuasion tactics and the provision of advice. These features include the tension between the consultant’s incentives to provide beneficial advice to the manager and the substantial uncertainty and cost that the consultant’s advice imposes on the manager. To better understand how persuasion and persuasion tactics operate in the consulting setting, I move to study 1 to examine specific manifestations of persuasion tactics among consultants.
III. Study 1

Introduction

Study 1 is a field study that consists of semi-structured interviews with senior consulting practitioners. I first gather qualitative data that validates the practical and theoretical relevance of my research questions in this consulting setting. The institutional knowledge that I gather in this study will enable me to develop a more precise theoretical lens to inform and enrich the more formal investigation in study 2, and to prevent the hasty development of explanatory theories (cf. Peecher and Solomon 2001).

In particular, this study examines whether and how persuasion operates in the consulting setting and identifies variables that moderate the consultant’s application of persuasion principles. A deeper examination of the consultant’s decision context allows me to determine which persuasion tactics are commonly used by consultants, how the tactics manifest in this setting, and if any features of the consulting context trigger the use of these tactics.

Setting and Method

Research Setting: Enterprise Resource Planning (ERP) Consulting

ERP is an information technology tool that integrates business functions, such as accounting, finance, human resources, and inventory management, into a single system with one source of data. ERP is the basis of multiple MCS. The adoption of ERP is expensive and time-consuming, with the average adoption costing $6.1 million and taking 18 months to complete (Gartner Research 2008). Firms depend on the expertise of consultants to implement ERP.

Accounting is a central component of most ERP systems, which have a substantial impact on control and the ultimate production of accounting information. With respect to the ultimate reporting of accounting information, there is evidence, for example, that analysts positively
revise their earnings forecasts when firms announce the adoption of ERP systems (Hunton et al. 2002). Firms not only enjoy positive abnormal returns in the window around this announcement, but also experience increased earnings management activity following the implementation (Brazel and Dang 2008). Although the adoption of ERP systems often involves substantial centralization of accounting, firms often implement ERP systems with varying degrees of centralization (Quattrone and Hopper 2005). As such, ERP consulting is well-suited for an investigation of the MCS adoption choices that consultants offer to managers.

**Participants and Method**

I conduct semi-structured interviews with 14 professional consultants from three large management consulting firms. The consultants have an average (standard deviation) of 15.9 (4.1) years of consulting experience, and 23.6 (6.3) years of total work experience. Seven of the consultants are executives with titles such as Partner, Director, or Vice President; four rank just below the executive level with titles such as Principal or Associate Partner; and three are project managers. (see Table 1 for descriptive statistics of the interviewees).

Interview participants specialize in the use of ERP technology to re-engineer the business processes of firms, and the expertise of each consultant tends to comprise three dimensions. First, consultants often specialize in the MCS produced by a particular software vendor. Of the interviewees, 13 consultants specialize in SAP, while one specializes in Oracle. Second, consultants almost always specialize in a particular business function or process area. Eight consultants specialize in logistics and/or production processes, and six specialize in finance and accounting. Third, consultants often focus their expertise on a limited number of industries, if not a single industry. The industry specializations of the respondents include aerospace and defense, automotive, chemicals and petroleum, consumer packaged goods, heavy equipment, metals, and
pharmaceuticals. I can detect no substantial differences attributable to specialization in a particular software vendor, functional area, or industry.

The interviews are semi-structured, as the study intends to explore the determinants and consequences of consultants’ judgments and decisions (see Appendix for the list of questions). Accordingly, the interviews do not target questions towards technology, and participants did not tend to discuss technology. Rather, the questions ask interviewees to discuss the business objectives of their clients, their beliefs about the services and value they provide to clients, and the ultimate consequences on firms of their judgments and recommendations. Follow-up questions ask for specific examples and critical incidents that represent exceptional experiences. Evidence suggests that these events are salient in memory and may provide more reliable responses (cf. Flanagan 1954). The interviews average 46 minutes in duration and range from 21 to 93 minutes.

Results and Analysis

I organize study 1 in the following manner. The first section of study 1 presents an analysis of interviewees’ beliefs about the role of the consultant and the core benefits of the consultant’s advice to the manager. It provides a sense of what consultants believe they provide to clients. The second section presents examples of processes through which consultants fulfill their role. It describes two context-specific manifestations of persuasion processes that consultants use to convey the benefits of their advice to managers, and it provides a sense of how consultants believe they perform their jobs. The third section presents data and analysis on the

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8 The critical incident technique may lead participants to recall non-representative events, but evidence suggests that the prevalence of this effect may be overstated. Lipschitz et al. (2001) ask two groups of firefighters to report the same events and details using either critical incident or non-critical incident techniques, and report 82% consistency between the two groups. Moreover, this technique provides rich accounts of the relevant information used by experts, and the processes that these experts apply when they make decisions in real-life settings (Gigerenzer and Todd 1999).
aspects of the firm on which managers tend to seek the consultant’s advice. This section provides a sense of the implications of the consultant’s work. The fourth section identifies potential variables that lead to differences in the advice that consultants provide to managers. I frame each section by identifying the primary question or questions that prompt the responses that I analyze in the section (see Appendix for a list of interview questions).  

**Question 1: “What do you believe is the primary service that you provide to your clients? What do firms and managers expect to get when they hire a consultant?”**

**Organizational Change**

Dimaggio and Powell (1983) conceive of consultants as a source of external pressure to change on managers and firms. Such “change agents” play a vital role in developing innovations and transmitting these innovations across organizational boundaries (Abrahamson and Fairchild 1999). Internal personnel often have a vested interest in maintaining the status quo, and strongly resist change (Argyris 1990a). Accordingly, firms depend on external agents such as consultants to promote and effect change within firms, as change often does not come from within. Thus, the defining characteristic of the consultant’s advice is likely to be that it promotes change in the practices and processes of a firm.

Consistent with the characterization of consultants as change agents, 13 of 14 interviewees (93%) reference the consultant’s role in changing organizations (see Table 2 for a summary).  

All of these interviewees indicate positive beliefs about the benefits of organizational change. Participant 5 summarizes this perspective, “You have to go in there and

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9 Because the interviews are semi-structured, I do not ask every question listed in the Appendix in every interview. Each interview begins with question 1, but the remaining questions are not necessarily listed in the order in which they are asked. Some data arise from consultants’ responses to follow up questions not explicitly listed in the Appendix.

10 An independent coder with professional consulting experience also reviews the response data. Agreement between the coder and me is 91.1% (Cohen’s κ = 0.84), and disagreements are resolved. Differences between coders would not influence the analyses in study 1 or the selection of variables in study 2.
challenge the client’s assumptions, challenge the status quo. I believe that’s why people hire consultants in the first place.” As discussed above, consultants often recommend that managers change the architecture or processes of their firms, because managers expect consultants to think and act differently than internal decision makers.

Because change is often unpopular, managers hire consultants to avoid “being the bad guy.” Participant 2 describes his role with his clients as follows: “People within the organization are not comfortable breaking bad news to others, and the willingness to break bad news to others decreases as you move up the organization. Executives do not want to tell people what they don’t want to hear. That’s what distinguishes consultants: consultants are willing to tell people what they don’t want to hear.” This participant relates an interesting example of a large manufacturing client that “purposefully inserted consultants as a layer between the executives and division managers. The consultants were a buffer that shielded the executives from the people who were affected by their decisions.”

The responses indicate that consultants believe that their role is to educate the manager about new trends and practices, and to promote changes that internal personnel may not be willing to undertake. The primacy of change also implies that persuasion is pervasive in a consulting setting, as persuasion is necessary to compel firms and their employees to change (Argyris and Kaplan 1994). In the next section, I discuss persuasion and specific persuasion tactics that manifest in the consulting setting. The consultants perceive that persuasion is not only essential for them to sell their services, but also an integral component of the advisory process.
**Question 4:** To what degree do clients communicate and define their expectations to the consultant? How do clients do this? To what degree can the consultant shape these expectations?

**Question 5:** How frequently do clients disagree with your judgments and how do you manage these disagreements?

**Persuasion Principles**

Persuasion can reduce the manager’s uncertainty about change. In order to persuade the manager, it may not be sufficient for the consultant simply to provide a detailed cost/benefit analysis. Instead, the use of persuasion tactics provides additional and immediate justification for the manager to follow the consultant’s advice. As discussed above, there are several persuasion tactics that consultants can use, but the interview responses seem to indicate that two tactics are particularly prevalent. These tactics emanate from the diffusion of a given practice, technology, or idea within the manager’s context.

*“Best Practices” and the Social Proof Tactic*

The consultant’s opportunity to use “best practices” to justify his or her advice corresponds to the principle of social proof (Cialdini 1993; 2001). “Best practice” refers to a practice that the consultant has applied or knows has been applied by other firms in similar situations. It represents a quasi-standard within an industry and a potential source of pressure on managers to adopt this best practice and conform to the practices of other managers (cf. Dimaggio and Powell 1983). A practice adopted by others has presumed benefits and presents the manager with relatively less uncertainty than an unknown practice. There are also psychological benefits to conformity with others, and the promise of conformity is a powerful implicit and explicit influence tactic (Cialdini and Goldstein 2004).
As one might expect, change is more feasible and workable in some conditions than in others. The consultant does not have the authority to make changes. Rather, the manager often has final decision authority, and the consultant must persuade the manager to change. Thus, change is more likely to work when persuasion attempts are more likely to succeed. Participant 9 confirms the consultant’s lack of power: “[the consultant provides] technological expertise, and the client specifies their business objectives and ultimately owns the final decision.” Participant 8 admits, “We can’t force the client to do anything. We’re not auditors that the client has to tolerate. We’re here because we’ve convinced the client or whoever that we can help them.” He continues to illustrate a common and powerful persuasion tactic at the consultant’s disposal: “We provide recommendations as to our beliefs about what’s the best course of action, based on best practices, but the client decides” (emphasis added).

This reference is one of several allusions to best practices in the interviews (9 of 14, 64%). In addition to its importance in connection to the social proof principle, “best practices” is a loose construct. Managers view best practices as a form of safety from the uncertainty of organizational change, according to participant 7, but still demand departures from best practices: “…there’s always the ‘best practices argument,’ when managers confront something they don’t understand or expect, and say [to the consultant] ‘I thought you were bringing best practices to the table.’ It’s like best practices are a safety blanket to allow them to do whatever they want but face no consequences. For me, [best practices] are one way to make the client comfortable with change.”

Participant 9 expresses mixed feelings about best practices, but his response still suggests its effectiveness as a persuasion tactic: “SAP has built-in best practices, though I don't like the phrase. One approach [to persuade the manager] is to line up the best practices and challenge
"Show me why this wouldn't work in your organization?" Consistent with the use of social proof as a persuasion tactic, however, participant 9 admits that “[best practices] functions as a good jumping off point.” This participant’s mixed feelings suggest that distinctiveness may also be a salient benefit for both the consultant and the manager.

“Distinctiveness” and the Scarcity Tactic

As discussed above, the scarcity principle argues that managers are more likely to follow advice, if following advice provides exclusive benefits to the manager (cf. Cialdini 1993; 2001). If an MCS is relatively new—or if the manager’s competitors have not yet adopted it—then the absence of widespread adoption provides the manager with the opportunity to be distinctive relative to competitors. Consultants comment on their emphasis on new products in seven of 14 interviews (50%). In this setting, software and hardware vendors continuously release new MCS and technologies that enable these systems. Because these vendors frequently target releases to specific industries or process areas, a continuous stream of opportunities exists for managers to adopt new MCS or enhance existing MCS. Hence, the consultant frequently can offer the manager the chance to move first on a new MCS.

In addition to the distinctiveness conferred by first mover status, distinctiveness may also be promoted to the manager as a highly customized version of a widely-adopted MCS. In this case, the consultant promotes a customized version of an MCS that competitors have already adopted in a more standardized or simplistic form. The topic of customization arouses mixed responses, though. Some consultants laud customization as beneficial, while others deride it as a primary cause of failure or as a consultant sales gimmick. Consistent with the perceived benefits of distinctiveness in this setting, 13 of 14 (93%) interviewees comment on customization.
Several responses discuss customization in conjunction with the risks of failure that consultants face in this setting (see Table 2).

“Many consultants allow their clients to believe that [a new MCS] will retain all of the essential and unique character of their firms, and only change what the client doesn’t like. It’s a fantasy that a lot of consultants cultivate [in order] to get more business.” This somewhat cynical perspective from participant 12 suggests the importance of the scarcity principle of persuasion (cf. Cialdini 1993; 2001). Consultants are more likely to advance change successfully if they can convince the manager that change will provide some distinct competitive advantage to the manager’s firm.

In a relevant accounting example, SAP’s facility as a transaction processing and data reporting system make it useful for customized report production. The creation of customized reporting capabilities is both common and costly. Participant 8 laments, “Everyone thinks they’re special. They think that, since SAP can provide all this wonderful information, everyone can be measured in their own way, and everyone who reviews the reports wants the reports written and formatted in their own special way. Consultants encourage this kind of stuff too often. I try to ask the client what information they need on the report, and standardize the reports with that information.” He continues: “You lose a lot of the benefits of the technology, when you start tinkering with it. People find justifications for tinkering with it, but that’s something that I will discourage until I’m blue in the face. The whole idea [of SAP] is that everyone is working off the same data, until you start making it so that different people are relying on different data.”

As suggested above, the use of MCS—such as those based on ERP technology—to enhance the distinctiveness of a client can be very expensive. When asked what justifies customizations to an MCS, participant 10 responds: “A couple million dollars a year. For every
custom program or process, it will cost a minimum of $50-100K to develop and another $50-100K per year to maintain. Most of the time, the justification is ‘historically, we've always done it this way’ or ‘this is how we do it in this industry.’ That’s all well and good. I’ll do the customization, but if I’m going to impose this perpetual cost on my client, then there had better be some numbers to support it.”

Participant 14 takes a more balanced perspective and points out that is common to sell on either newness or customization, and that either trigger of distinctiveness can arise from the consultant’s desire to help the client: “[The manager] is often trying to manage it the best they can, and there's no way that the consultant can foresee [customizations]. It doesn't matter how much time you spend going through all the gory details.” She illustrates that customization “often occurs when the client sees new MCS and new functionalities and says 'I want this, too!'”

The interviews suggest that the scarcity principle also may apply to relatively new MCS or MCS that are not widely-adopted, rather than to customizations of common MCS. Participant 13 agrees that “customization is often an excuse [for the manager] to not change. It’s a little different when [the manager] really just wants the latest and greatest.” Both customization and newness seem to trigger the scarcity tactic in the consulting setting.

In summary, consultants seem to use the social proof and scarcity principles to persuade managers to adopt MCS and to undertake change. The rhetorical device of best practices is a common manifestation of the social proof principle in consulting, as it justifies change and uncertainty by both emphasizing the fact that others have done it and implying that the change has worked. The scarcity tactic manifests as the consultant’s emphasis on either the level of customization of an MCS or the newness of the MCS. Consultants seem to view customization
alternately as a legitimate value-adding exercise or as a hollow sales tactic, similar to how they view “best practices.”

Question 3: On what aspects of their business do managers and firms tend to hire consultants? What aspects of the business do consultant’s recommendations tend to concern?

Control as a Target of Change

When asked about the consequences of their recommendations for firms, most consultants focus their responses on one or more aspects of the client’s control systems. In order to provide a sufficiently broad perspective on the effects of the consultant’s advice, I examine the frequency with which consultants discuss the assignment of decision rights, provision of incentives, and measurement of performance. Jensen and Meckling (1995) and Brickley et al. (1997a) refer to these factors as rules of the game and organizational architecture, respectively, and argue that these factors constitute the core framework through which a firm deploys its controls.

Consultants influence these control components directly and indirectly, often depending on the specific MCS in which the consultant specializes. While MCS such as the Balanced Scorecard directly influence the measurement of performance (Kaplan and Norton 1996), other MCS such as TQM do not influence measurement directly, but may necessitate a change in the measurement system in order to be adopted successfully (Brickley et al. 1997b). Alternatively, the consultant’s advice can often directly affect the structure of decision rights within the organization. Prior literature suggests that firms may use MCS to either centralize, as in the case of ERP (Quattrone and Hopper 2005), or decentralize, as in the case of TQM (Wruck and Jensen 1994). As discussed above, the primary influence of the consultant on the firm is to change
controls, but the direction of the change may vary by the consultant’s area of expertise or the characteristics of the firm or the manager whom the consultant advises.

The interview data suggests that consultant-recommended changes could influence all three components of control. In the interviews, consultants cite the decentralization of decision rights as a frequent target of change (nine of 14 interviewees, 64%). A firm’s employment of consultants often results in immediate changes in the decision rights of employees, as employees must work with consultants to understand current business practices and identify improvement areas. Participant 11 observes that, prior to the actual implementation of the consultant’s advice, the client firm undergoes major changes in decision making structure and day-to-day employee responsibilities: “When you go into a company, you basically have employees of the client who are taken out of their jobs and told, ‘This is your life for the next 18 months.’ In this situation, you almost have to see a change in the incentives of these employees, and, as a consultant, you can’t change that. You can recommend it, you can ask for it, but the client has to change that.” Thus, consultants often change decision-making structure, but may not effect concomitant changes in other components of control.

In the case of ERP, the interview data suggests that adoption tends to have direct effects on decision rights in an organization. Specifically, firms often use ERP to centralize or decentralize decision authority in one or more business unit. For example, participant 10 observes that “most of the time when companies decide to implement SAP, or some other enterprise software, they do so with the intention of standardizing their controls across business units. There are multiple advantages to this approach, including leveraging scale, the ability to transition resources from one entity to another without retraining…As it's executed in the best of the firms, a certain amount of standardization is required.”
In an interesting example, Participant 6, who specializes in finance and accounting, describes the inability of many firms to adopt a centralized chart of accounts, even though it seems to defy common sense: “Most finance people in my experience are very reasonable, very practical people, except when it comes to the chart of accounts. No matter how much easier and cheaper it would make things in the long run, there is a knee-jerk resistance to messing with the chart of accounts. The finance and accounting guys don’t want to be responsible for changing the reporting structure or how business unit performance is measured.”

Although the discussions seem to suggest that consultants prefer centralization or standardization, it is more precise to claim that the consultant’s interest is geared towards change that can provide some demonstrable benefit to the manager and his/her firm. Respondents indicate that standardizing or centralizing processes sometimes makes little sense, such as when decentralized processes are necessitated by regulations, contracts, and the maintenance of proprietary systems and practices.

The evidence suggests that consultants in this setting have tremendous influence on accounting and control processes. The centralization of decision making is a key control consideration, as are incentive provision and performance measurement and reporting within the firm. Managers who design these controls depend on consultants to inform them about potentially beneficial MCS, and to advise them on the implementations of these MCS. Thus, the consultant plays a critical role in shaping the information and choice sets of managers who make accounting-relevant decisions.

*Question 6: How do you adapt your recommendations to the needs of a particular client? Are there any indicators that give you a sense of what solutions might be beneficial to a client?*  
*Characteristics of the firms?*
Management and Leadership of the Advisee

A firm’s management is critical to the adoption of management control systems. The competence of management influences the adoption of controls and the effectiveness of these controls after adoption (Anderson and Young 1999; Elbashir et al. 2011). Davila and Foster (2005) document the importance of management by demonstrating that the CEO’s experience and emphasis on planning influence the intensity of control adoption in startup firms, and even influence the timing with which the firm hires a CFO. In turn, more intense adoption of controls by managers increases their tenure with the firm (Davila and Foster 2007). Accordingly, it is reasonable to expect that the characteristics of a firm’s management will influence the consultant’s judgments. The importance of these characteristics to the consultant, however, is unclear, as is how the consultant tailors his or her recommendations based on these characteristics.

Ten of the 14 consultants (71%) name competence of the (client) manager, or some variation thereof, as the most important determinant of success (see Table 2). Although size, strategy, and industry influence the consultant, the interviews indicate that leadership often varies substantially, even when one controls for these other influential factors. As participant 8 states, “It all comes down to leadership.”

The interview data implies that consultants benefit substantially from active and bold leaders who promote the benefits of the consultant’s recommended changes. The following observation by participant 10 suggests that the consultant prefers leaders who embrace change and provide vision for their employees: “Those organizations that embrace change are those with someone with a passion for change, with a well-articulated vision for change. Not necessarily the CEO, but whoever is in charge of the program. It's not that you have to sell, but they have to
articulate the vision. Those firms that are successful are those where leadership has successfully articulated the benefits of change."

While bold and active leaders may be particularly able to implement change, responses also indicate that general competence and ability are also important. Participant 9 states that a key indicator to the consultant is “a strong project sponsor or owner, who commands the respect of their peers and senior management, not someone who's just there because they were made the project manager.” Several respondents spoke about “business buy-in,” or the extent to which the employees of a firm are receptive to the consultant’s recommendations. This “buy-in” depends largely on the engagement and competence of the firm’s executives. Participant 5 references his experience as Chief Information Officer (CIO) of a mid-sized firm: “100% of my time was spent on business buy-in.”

Interviewees consistently indicate that the leadership and competence of the project sponsor also influence employees’ sophistication and orientation towards change. Participant 10 asserts that the consultant can easily detect this influence and indicates a preference for highly-competent managers: “You can tell in five minutes. You can tell how sophisticated the employees are, based on the questions that they ask. Are they asking questions about costs, looking backwards, or about the future and how they can harness this change to benefit their business?” Participant 10’s additional comments argue that leaders affect the sophistication of employees, as well: “I’d rather work with someone who’s smart, who I know ultimately won’t do what I ask him to do, than a dummy who won’t do what I want him to do, but will give no explanation as to why.”

Another important dimension of competence is the manager’s ability to match rewards to desired actions. The consultant may prefer to work with a manager who is not necessarily bold or
active, but is detail-oriented and ensures that employees understand expectations. Participant 3 describes the most important factors in understanding a manager and the manager’s firm: “Follow the money. Where are the P&Ls and where do the P&Ls report? What’s the representation of the P&Ls on the project? Who justifies the project and has the justification been integrated into budgeting and forecasting? Have the business units committed in their budgets to realize these cost reductions or other benefits of a project? If not, then [the business units] have not bought in.”

Interviewees consistently deride passive or incompetent managers. Participant 9 describes the signal and consequences of absent or ineffective leadership: “After we signed a large contract, there was a kick-off meeting that was attended by all the consultants and a lot of managers and executives from the client: about 50 people in all. The CEO of the client came to the podium and said all these wonderful things about what he believed the consultants could do for the firm, and how much he believed in these changes and supported our work. Then he said ‘Good luck’ and walked out of the room. We never saw him again. We were dumbfounded that he more or less washed his hands of the whole thing. At that moment, I should have known that we were doomed.”

In this consultant’s anecdote, “doomed” means that the consultant had very little chance to effect beneficial change in the firm. The lack of highly competent executive support makes the implementation of the consultant’s advice more difficult and more costly. This anecdote shares one example of the costs that consultants associate with unsuccessful consulting engagements. These costs are likely quite salient to consultants, as 11 of 14 interviewees (79%) reference the high reputation costs of failure. Thus, the consultant is invested heavily in the success of an MCS adoption and is sensitive to long-term reputation concerns.
In summary, the interview data suggests that consultants prefer to work with highly capable leaders. They value management characteristics, such as competence and openness to change, and multiple dimensions of competence, including technical knowledge and communication skills. Consultants may simply want to work with good managers, regardless of what characteristics make these managers exceptional. It is possible that consultants believe that dimensions of competence are correlated, such that superior competence on one dimension increases the likelihood of superior competence on another dimension. It is also possible that, because managers cannot implement many consultant-recommended MCS on their own, superior manager competence on any dimension will increase the likelihood of future success. In brief, consultants are sensitive to the competence of the manager, but it is unclear how this sensitivity influences the consultant’s advice.

Conclusions

The interview data suggests a setting in which the consultant advises change to a manager, but only when the consultant believes the change will benefit the manager and the manager’s firm. There are high costs of failure for both the consultant and the manager. Thus, persuasion likely plays a critical role in the consultant’s advice to the manager. The interviews highlight that the consultant’s context may trigger two persuasion mechanisms in particular. The availability of best practices and the use of best practices rhetoric to persuade the manager are consistent with the principle of social proof (Cialdini 1993; 2001). The desire for customization or new products and technologies is consistent with the principle of scarcity (Cialdini 1993; 2001).

Interestingly, social proof and scarcity can both be triggered by the distinctiveness of the MCS in question, but their respective triggers occupy opposite ends of the distinctiveness
continuum. The consultant justifies non-distinctive MCS with social proof and justifies distinctive MCS with scarcity. Moreover, these tactics are pervasively available to consultants, as distinctiveness and non-distinctiveness together subsume a broad range of states of the world. The salient feature of distinctiveness, with respect to its status as a persuasion trigger, is that it determines whether or not the consultant reasonably can make an action seem different from the manager’s reference group. This feature includes a range of narrow diffusions of an MCS (distinctive) and wide diffusion of an MCS (non-distinctive).

While interviewees frequently reference distinctiveness in the form of customization (13 of 14, 93%), distinctiveness in the form of a new MCS is also an appropriate focus of future inquiry for two reasons. First, the responses suggest that newness figures more prominently than customization in the consultant’s sales process, and thus more prominently into the consultant’s decision on how to advise the manager in the first place. Customization is more of a reactive process on the part of the consultant, and may even be used to make something that is non-distinct appear distinct. Second, the conceptual link between best practices (i.e. social proof) and MCS newness or distinctiveness (i.e. scarcity) is quite strong. Specifically, other firms may have adopted the MCS (i.e. best practices exist), or other firms may not have adopted the MCS (i.e. it is new and best practices do not exist).

A quote from participant 7 aptly seems to summarize persuasion issues in this setting and their ultimate consequences for the outcomes of the consultant’s advice: “Consultants often will barge into [a manager’s firm] ill-equipped to understand and adapt to the client’s culture. Indeed, most of them simply ignore it, arguing that they bring with them “best practices” that, if followed properly, ensure success. Worse yet, [the manager] may buy in to the best practices pitch and expect their organization to fall in line without providing the leadership, guidance and assurance
the project team needs.” This quote suggests that consultants may be well-served to tailor their persuasion tactics to the characteristics of the manager and the manager’s firm. It is important to note that what seems beneficial to one CFO may not seem beneficial to another.

Study 1 intends to develop my understanding of this setting, including how persuasion attempts manifest among consultants and the features that influence how consultants apply these tactics. The responses indicate that consultants know that they use persuasion to educate the manager, reduce the manager’s uncertainty, and resolve disagreements, but the interview data do not indicate differences in the application of these tactics. The responses also provide the basis for a framework of assumptions and constraints to guide my investigations in study 2, which involves testing of the causal relationship between persuasion triggers and the consultant’s advice.
IV. Study 2

Introduction

This study is an experimental examination of the joint effect of persuasion triggers and manager competence on the consultant’s advice to the manager. I begin with a discussion of research on MCS adoption in accounting and identify an absence of research on consultants. Based on insights from study 1, I select the distinctiveness of an MCS as a potential trigger of two common persuasion tactics in a consulting setting. I then draw on persuasion theory to develop hypotheses as to how these triggers likely influence the advice that the consultant provides to managers at varying levels of competence. Finally, I describe and report the results of an experiment that empirically tests my predictions.

Literature Review and Theoretical Background

Consultants and the Adoption of Management Control Systems

Although some studies of MCS adoption note the involvement of consultants, theory and evidence on role of the consultant is lacking. In particular, it is unknown under what conditions consultants may or may not advise a manager to adopt an MCS. The consultant has specialized knowledge of a given MCS, which includes technologies under broader labels such as business intelligence, customer relationship management, enterprise resource planning, and knowledge management, in addition to practices and ideas such as activity based costing, the balanced scorecard, and six sigma and total quality management. The consultant develops particular applications of these MCS to a firm and its context, and informs and advises the manager of the potential benefits of adopting these MCS.

Accounting research has documented the changes that are associated with consultant-recommended MCS such as Total Quality Management (TQM) and Enterprise Resource
Planning (ERP). TQM adoption leads firms to decentralize decision-making processes, to introduce non-financial performance measures, and to communicate strategic information to a wider range of organizational stakeholders (Wruck and Jensen 1994; Ittner and Larcker 1995). On the other hand, ERP adoption leads firms to centralize decision-making processes and to employ more intense, real-time monitoring (Quattrone and Hopper 2005).

While consultant-recommended changes require substantial investments by the adopting firm, the benefits of these changes are uncertain. Consultant-recommended MCS such as ABC (Ittner et al. 2002), ERP (Quattrone and Hopper 2005), and TQM (Wruck and Jensen 1994) have weak associations with indicators of performance improvement, such as return on assets, and these benefits are quite slow to materialize. Nonetheless, firms earn abnormal returns when they announce the adoption of ERP systems (Hunton et al. 2002), and the adoption of new and fashionable technologies enhances the reputations of the firm and its management (Wang 2010).

In order to recognize and realize the control benefits of the MCS, they must be integrated and assimilated with the firm’s culture (Chapman and Kihn 2009). This process depends largely on the competence of the firm’s management (Elbashir et al. 2011). Accordingly, a great deal of uncertainty about the benefits of MCS adoption arises from organizational resistance to change (Argyris 1990a; 1990b; Argyris and Kaplan 1994). As Argyris (1990a; 1990b) notes, resistance to change is pervasive, and promises of the benefits of change are not sufficient to ensure that this resistance will not occur. In a case study of TQM adoption at Sterling Chemicals, for example, Wruck and Jensen (1994) observed that decentralization was unsuccessful in the first two years after adoption and met substantial resistance within the firm’s hierarchy.

Consequently, the changes associated with MCS adoption frequently have unintended consequences that introduce substantial uncertainty for the manager, firm, and consultant. ERP
systems integrate controls across the organization, for example, but also can lead to unpredictable and non-standardized uses of information for control purposes (Quattrone and Hopper 2005). ERP systems ostensibly centralize control and enable organizational growth and change, but also inhibit existing modes of control within firms (Dechow and Mouristen 2005). In any case, centralized accounting is likely to conflict with the general preferences of divisional managers, who prefer decentralized accounting that reduces conflict between accounting and non-accounting personnel (Hopper 1980).

I argue that there are systematic differences in the advice that consultants provide to firms, which is likely to lead to differences in the ultimate adoption of MCS. These differences affect core accounting and control functions such as cash flow management, performance evaluation, and the delegation of decision rights. Prior research has treated variation in decision rights delegation, for example, as exogenous (cf. Indjejikian and Matejka 2006; Maas and Matejka 2009), or has ignored variation attributable to the judgments of consultants (cf. Nagar 2002; Moers 2006).

Assumptions of the Research Setting

For this study, I define consultants as external agents with incentives to advise change and knowledge of how to apply a particular MCS to a particular manager’s firm. The consultant’s primary product is advice that s/he sells to a manager. I assume that this advice takes the form of a recommendation for or against a course of action, or the provision of additional information about courses of action (Bonaccio and Dalal 2006).

At the time when the consultant decides to advise the manager, s/he knows that the manager has not adopted the MCS, if the manager’s competitors have adopted the MCS, and the

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11 Research has characterized such agents alternately as change agents (cf. Dimaggio and Powell 1983) or knowledge entrepreneurs (cf. Abrahamson and Fairchild 1999).
apparent competence of the manager. The consultant earns fees when the manager agrees to adopt the MCS, but adoption increases the likelihood of organizational resistance, which increases the risk to the consultant’s reputation. Reputation risks are highly salient to the consultant because consultants depend on reputation to signal the quality of their services and charge higher fees (Greenwood et al. 2005; Greenwood and Suddaby 2006). The next sections propose that these assumptions make persuasion a crucial part of the consulting process.

**MCS Distinctiveness and Persuasion Tactics**

Due to the likely resistance to change and the high costs of failure, the consultant must persuade the manager to adopt an MCS. Thus, the consultant’s advice contains both information about the potentially beneficial application of an MCS to the manager’s firm and an implicit request for the manager to value the advice and purchase the consultant’s services (Cialdini and Goldstein 2004). Persuasion is a process of communication that influences the manager to change beliefs or actions (Cialdini et al. 1981). Successful persuasion attempts tend to use certain types of information to provide additional reasons for the manager to change, above and beyond the functional benefits of the MCS (Cialdini 1993; 2001).

An MCS is likely to vary in the extent to which it has been adopted by the manager’s competitors. Assuming that the manager has not yet adopted the MCS, this distinctiveness triggers two persuasion tactics that the consultant can use to reduce the manager’s uncertainty

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12The consultant also likely has information about common determinants of control structure, such as a firm’s size, strategy, growth, and organizational complexity.

13One could argue that the consultant incurs a specific asset investment cost in order to give credible advice to the manager, which is an additional incentive to provide beneficial advice to the manager. For example, the consultant may need to spend time gathering information about the manager’s firm or engaging technical experts from within his or her own firm. These specific investments are common in professional services such as consulting as a means to constrain opportunistic behavior (Sharma 1997). Once the consultant decides to provide advice to the manager, the consultant has an incentive to provide advice that the manager is likely to follow, in order to recoup this sunk cost.
associated with MCS adoption.\textsuperscript{14} If the manager’s competitors have not adopted the MCS, then the exclusive benefits of this distinctive MCS provide the manager with an additional adoption justification. The consultant’s opportunity to use this information to persuade the manager corresponds to the \textit{scurity tactic}, which emphasizes that the benefits of an MCS are distinctive to the manager (Cialdini 1993). This tactic is most persuasive for people with a preference for distinctiveness (Griskevicius et al. 2006; 2009).

Conversely, the manager’s competitors may have already adopted the MCS. By recommending a \textit{non-distinctive} MCS, the consultant offers to erase the manager’s potential disadvantage relative to competitors (Cialdini and Goldstein 2004), which reduces some of the uncertainty that the manager faces in adopting the MCS. The consultant’s opportunity to use this information to persuade the manager corresponds to the \textit{social proof tactic}, which emphasizes that the manager will derive the same outcome from the MCS as competitors (Cialdini 1993).

These tactics represent additional justifications for adoption. The consultant can use these justifications to make the benefits of MCS adoption seem less uncertain to the manager. In the next section, I hypothesize that the appropriateness of these justifications depends on the manager’s competence. In turn, the consultant will attempt to match the persuasion tactic to the manager. Thus, the consultant’s advice is a joint effect of the persuasion trigger (i.e. distinctiveness) and the manager’s competence.

\textbf{Hypothesis Development}

\textbf{MCS Distinctiveness and Manager Competence}

\textsuperscript{14} \textit{Social proof} and \textit{scurity} are not the only persuasion tools available to the consultant. The consultant’s beliefs and preferences about change and about a specific MCS may likely influence their advice. I measure these beliefs, but there is not sufficient variation in these variables to include them in the analyses. This lack of variation is not surprising, given that consultants are a self-selected population. Cialdini (1993; 2001) assumes that the persuader provides a reasonable cost/benefit analysis, among other potential persuasion tactics, and that the effects of tactics such as social proof and scarcity are incremental to this analysis.
Although the consultant introduces substantial uncertainty for the manager in advising a
new MCS, the act of adoption also provides the manager with the immediate opportunity to
signal his or her ability to relevant stakeholders. The consultant is likely to believe that this
opportunity is more beneficial and persuasive to the manager if the distinctiveness of the
adoption provides a credible or accurate signal.

Exceptional Manager

In a setting of relative evaluation, distinct actions provide a manager with the opportunity
to outperform competitors, whereas non-distinct actions provide only the promise of an outcome
that is no worse than competitors (Scharfstein and Stein 1990; Zwiebel 1995). Distinct actions
are most beneficial for an exceptionally competent manager, who can reasonably expect to turn
the distinct action into a positive outcome (Zwiebel 1995). The positive reputation effects of
distinctive actions may even lead exceptional managers to ignore the advice of others (Levy
2004) and to escalate commitment to suboptimal courses of action (Kanodia et al. 1989).

The consultant is likely to recognize that the distinctiveness of an MCS is an incremental
justification for the exceptional manager to adopt the MCS. Thus, the consultant can build a
more persuasive case for the exceptional manager to adopt a distinctive versus non-distinctive
MCS.\(^{15}\) In other words, the consultant is likely to believe that the scarcity principle is more
compelling than the social proof principle to the exceptional manager. Accordingly, the
consultant is more likely to advise the adoption of a distinctive versus non-distinctive MCS to an
exceptional manager.

**H1: When the manager is exceptional, the consultant is more likely to advise the
manager to adopt a distinctive versus non-distinctive MCS.**

\(^{15}\) I assume that the consultant’s costs to advise the adoption of an MCS are constant across levels of distinctiveness.
Average Manager

On the other hand, the benefits of non-distinctiveness are particularly appealing to average managers, because non-distinct actions shield the average manager from some of the consequences of failure. For example, managers are better compensated when they adopt popular management technologies and practices, even if adoption does not improve the performance of their firms (Staw and Epstein 2000). An average manager may not have the ability to realize a positive outcome from a distinct action, but non-distinct actions signal that the manager will realize an outcome that is no worse than most other managers (Scharfstein and Stein 1990; Zwiebel 1995). The recommendation of a non-distinctive MCS provides the average manager with an incremental justification for adoption. The consultant, therefore, is more likely to advise the adoption of a non-distinctive versus distinctive MCS to an average manager.

H2: When the manager is average, the consultant is less likely to advise the manager to adopt a distinctive versus non-distinctive MCS.

Taken together, hypotheses 1 and 2 imply a disordinal interaction of distinctiveness and competence.

Method

Participants

I conduct an experiment using 38 professional consultants as participants. The participants have an average (standard deviation) of 16.72 (6.35) years of professional experience and an average (standard deviation) of 15.22 (5.89) years of consulting experience. The participants primarily are employees of three large consulting firms. My sample comprises

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16 The use of professional participants is essential in this context, because the effects test how the consultant’s incentives and real-world knowledge of management control systems (including costs, benefits, and implications of diffusion in a given industry) influence the consultant’s advice to managers of varying competence.
six partners or directors, 12 principals, 14 managers, and six associates or equivalent. Seven participants (18 percent) report having CPA or CMA certifications and six (16 percent) report having Project Management Professional certifications. Also, 24 consultants (63 percent) indicate that their responsibilities include both sales and delivery, which implies that consultants in my experiment have experience both selling and implementing SAP MCS for managers\textsuperscript{17} (see Table 3).

I recruit participants through contacts at multiple large consulting firms. After hearing about the objectives of this research, four senior-level contacts agree to help recruit participants from within their firms. I create and host the experiment using the online Qualtrics survey tool and provide the link to the contacts in an email. Two of the contacts forward the link to colleagues and subordinates, with a brief note that encourages participation. One contact provides a list of consultants’ email addresses for me to contact.\textsuperscript{18} I follow up with phone calls to multiple contacts to ensure that the link is indeed forwarded and that the survey is indeed completed. The task takes consultants an average (standard deviation) of 14.76 (9.41) minutes to complete, and completion times ranges from three to 51 minutes. I exclude the responses of two consultants who take less than five minutes to complete the task, which likely indicates a lack of effort. Thus, my final sample is 36 consultants.\textsuperscript{19}

**Experimental Task and Procedures**

The experimental task asks participants to complete a Request for Proposals (RFP) for the CFO of a growing mid-sized firm, who is considering the adoption of a relatively new SAP

\textsuperscript{17} None of these measures differ across conditions.

\textsuperscript{18} As I do not know how many consultants are sent the link, I cannot compute a precise response rate. I have no reason to believe that response rates differ across experimental conditions.

\textsuperscript{19} Inclusion of these two participants in my analyses yields identical inferences with even lower p-values.
MCS that consolidates a firm’s credit management and collections. The case states that the CFO knows little about the MCS, but wants the consultant’s opinion as to whether this MCS is a good fit for the firm. I focus on a rapidly-growing firm with roughly $700 million in revenue, as firms tend to decentralize as they grow (Chenhall 2003) and such a firm is large and mature enough to have adopted sophisticated controls (Sandino 2007). See figure 1 for a visual depiction of experimental procedures.

In the case, the firm manufactures products that are highly customized to each client and order. Accordingly, the firm is divisionalized and has relatively decentralized accounting and finance functions (Abernethy et al. 2004). Divisional managers like the decision support provided by decentralized accounting, and the case says they will resist changes to this structure (cf. Argyris 1990a; 1990b; Indjejikian and Matejka 2006). However, the CFO is concerned that the decentralized structure is too costly and leads to collections and credit issues, due to the naturally high volume of disputes that a custom producer encounters. The case describes the firm’s accounting structure and underlying systems as heterogeneous, because firms often implement and develop their accounting systems in a haphazard manner (Quattrone and Hopper 2005).

The consultants primarily assess the likelihood with which they would recommend the SAP MCS—specifically financial supply chain management which consolidates credit management functions—to this firm. It is reasonable to assume that the firm has not yet invested

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20 The case concerns a real-life system called Financial Supply Chain Management in order to reduce noise in the consultant’s beliefs about this new MCS. My professional participants are familiar with this MCS and believe that it is beneficial. I provide evidence of these beliefs in the results section. Because this MCS is new—and because mid-sized firms are not often early adopters—it is highly unlikely that participants believe that the MCS has not been adopted because it is non-beneficial.

21 This feature holds constant the manager’s presumed knowledge about the MCS. It is common for managers to know about an MCS and know what an MCS does, but lack the know-how to evaluate its costs and benefits and implement it in the firm.
fully in financial planning systems and technologies, because firms tend to adopt such controls much later in their lifecycles than other controls (Davila and Foster 2007).

The case balances the costs and benefits of adopting or not adopting the MCS. On one hand, decentralization seems justified because the firm’s customized products necessitate decision support for division managers from its accounting systems (Abernethy and Bouwens 2000), and its rapid growth suggests the presence of information asymmetries (cf. Nagar 2002). On the other hand, centralization seems justified because the firm’s strategy places high importance on credit management (Christie et al. 2003) and integration of information systems leads to improved firm performance (cf. Chapman and Kihn 2009).

After making their recommendations, consultants receive a non-committal email response from the CFO that asks the consultant to deliver a presentation at company headquarters. This design feature intends to capture the consultant’s willingness to invest more time and resources in pursuing this opportunity, and introduces a degree of interaction with the manager.

**Dependent Variables**

The primary dependent variable is the consultant’s assessment of how likely s/he is to advise the manager to adopt the Financial Supply Chain Management MCS. I measure these assessments on a seven point Likert scale anchored by 1 = “Very unlikely,” 2 = “Unlikely,” 3 = “Somewhat unlikely,” 4 = “Undecided,” 5 = “Somewhat likely,” 6 = “Likely,” and 7 = “Very likely.” I use seven point scales, as they enable participants to best discriminate between the values of scale points (cf. Cox 1980). I use verbal labels for each point; these labels clarify the
meanings of scale points, enhance the reliability of responses, and reduce ambiguity as to the psychometric distance between points (cf. Krosnick 1999).\footnote{Labeling only some scale points tends to bias responses towards the selection of those points with verbal labels (Schwarz et al. 1991).}

In addition to the consultant’s advice, I measure the consultant’s beliefs as to how likely it is that the firm will realize improvements on key performance indicators if the CFO follows the consultant’s advice. I measure these variables on seven-point Likert scales and label the scales with the same verbal anchors that I discuss above. These measures are days sales outstanding, total cost of the accounting and finance function, ease of cross-division performance comparisons, and customer satisfaction. In order to test for differences in persuasion tactics, I measure the consultants’ assessments as to the likelihood that they would include four persuasive pieces of information with their advice to the CFO.

In order to capture the consultant’s beliefs as to the firm’s need for new MCS, I measure pre- and post-advice assessments of the effectiveness of the firm’s accounting processes on three key dimensions: controlling risk to the firm’s overall objectives, allocating decision rights appropriately, and enabling cross-divisional comparisons. I measure these three variables on seven point Likert scales, with verbal anchors 1 = “Very ineffective,” 2 = “Ineffective,” 3 = “Somewhat ineffective,” 4 = “Neither effective nor ineffective,” 5 = “Somewhat effective,” 6 = “Effective,” and 7 = “Very effective.” These measures capture the consultant’s predictions of how the MCS will improve the effectiveness of control processes with respect to aligning a firm’s controls with its strategy (cf. Simons 1995), locating decision authority to optimize control and knowledge transfer costs (cf. Jensen and Meckling 1995; Brickley et al. 1997a), and facilitating performance evaluation decisions (cf. Demski and Feltham 1978).
I also measure the anticipated resistance to change within the firm, the expected cost of adopting the MCS, the CFO’s likelihood to follow the consultant’s advice, and brief statements of the consultant’s recommendation to the firm. Finally, the case records demographic information as well as manipulation and comprehension checks.

**Independent Variables**

I manipulate the distinctiveness of the MCS between-participants. In order to manipulate distinctiveness of the MCS, the case states that, of the ten competing firms in the industry, either none or seven of these firms (distinctive and non-distinctive, respectively) have adopted the financial supply chain management MCS. The case directs participants to assume that the firm and its ten competitors have similar strategy, size, and market share, thus holding these potentially influential variables constant.

I manipulate manager competence within-participants by varying two indicators of competence. First, the case describes the manager as having either an excellent or average track record (exceptional and average, respectively). Second, the case describes that the manager is either in high demand or moderate demand by other firms (exceptional and average, respectively), in order to capture the market’s perceptions of the manager’s competence. To emphasize the importance of reputation to the CFO, the case notes that the CFO may be seeking a higher-profile position after completing this initiative (Kanodia et al. 1989; Zwiebel 1995).

As illustrated in figure 1, the within-participants manipulation occurs after the consultant makes recommendations and decides whether to pursue the opportunity further, but before the post-test questions. Specifically, the case asks consultants to now assume that the manager has
characteristics of the manager competence manipulation that participants initially did not see.\textsuperscript{23} I counterbalance the order of presentation to control for order effects. Consultants then re-assess the likelihood with which they recommend FSCM adoption, the degree of change that they recommend, the likelihood with which the firm will experience improvement on four key performance indicators, and the relative cost of adopting the MCS.

Results\textsuperscript{24}

Consultants’ Beliefs about the Experimental Case

In order to provide evidence of the consultant’s beliefs about the FSCM system and the experimental case, I measure the consultant’s self-reported knowledge of the system, the system’s benefits, and their beliefs about the hypothetical firm in the case. On average (standard deviation), the participants assess their knowledge of SAP Financial Supply Chain Management, relative to consultants with similar experience, as 3.92 (1.18) on a seven point Likert scale anchored by 1 = “Not at all knowledgeable,” 4 = “Moderately knowledgeable,” and 7 = “Extremely knowledgeable.” This rating does not differ from the scale midpoint ($t(35) = -0.424, p = 0.671$), which indicates a moderate and reasonable level of knowledge on the Financial Supply Chain Management MCS.

On average (standard deviation), the participants assess the benefits of SAP Financial Supply Chain Management as 5.67 (0.83) on a seven point Likert scale, which is anchored by 1 = “Not at all beneficial,” 4 = “Moderately beneficial,” and 7 = “Extremely beneficial.” This rating

\begin{flushright}
\textsuperscript{23} I manipulate competence within-participants to examine consultants’ awareness of their tendencies to provide different advice to different managers (Libby et al. 2002). Because persuasion is strategic, it supports my theory to provide evidence that my predictions hold in a within-participants design. There also would be value in a within-participants manipulation of distinctiveness, but I choose a design that keeps the duration of the task reasonable (hence, one factor manipulated within-subjects).
\textsuperscript{24} I present two-tailed p-values, unless otherwise noted.
\end{flushright}
is greater than the scale midpoint ($t(35) = 12.08, p < 0.001$), which indicates that consultants believe that the FSCM MCS is more than moderately beneficial.

I use three measures for the consultant’s assessment of the effectiveness of ABC’s current accounting processes; specifically, I measure the effectiveness of the accounting structure in managing risk to the firm’s overall objectives, giving decision authority to the appropriate personnel, and enabling the comparison of divisions. The mean assessed effectiveness for all three measures is significantly below the scale midpoint (all $p < 0.001$), which is anchored by the verbal phrase, “Neither effective nor ineffective.” This finding indicates that consultants believe that the firm’s accounting processes are ineffective on these key dimensions.

Finally, consultants assess their agreement with the statement, “Resistance by division managers will threaten the project’s success,” on a seven point Likert scale anchored by 1 = “Strongly disagree,” 4 = “Neither agree nor disagree,” and 7 = “Strongly agree.” The mean (standard deviation) assessment of 6.61 (0.68), is significantly greater than the scale midpoint ($t(35) = 22.78, p < 0.001$), which indicates a setting of high potential resistance to change.

In summary, consultants report having reasonable knowledge about the MCS in the case and perceive the MCS as beneficial. Consultants also believe that the firm’s current accounting processes are ineffective and that the threat of resistance to change is very high. None of these results differ across conditions.

**Manipulation Checks**

As a manipulation check for manager competence, consultants assess the competence of the CFO and his or her ability to implement the consultant’s recommendations successfully. I compare the mean responses on these measures using paired t-tests. Assessments of the CFO’s competence are significantly higher in the exceptional versus average condition (6.42 versus
Moreover, assessments of the CFO’s ability to implement the consultant’s recommendations are significantly higher in the exceptional versus average condition (6.39 versus 4.39, \( t(35) = 8.38, p < 0.001 \)). These results suggest a successful manipulation of CFO competence.

As a manipulation check for distinctiveness of the MCS, consultants assess their agreement with the phrases, “FSCM is widely adopted in ABC’s industry”, and, “Following your recommendations will give ABC a competitive advantage.” I compare the mean responses on these measures using two-sample \( t \)-tests. Agreement with the “widely adopted” phrase is significantly higher in the non-distinctive condition than in the distinctive condition (5.67 versus 2.44, \( t(34) = 9.34, p < 0.001 \)), while agreement with the “competitive advantage” phrase is significantly higher in the distinctive condition than in the non-distinctive condition (6.39 versus 4.94, \( t(34) = -4.26, p < 0.001 \)). These results suggest a successful manipulation of distinctiveness.\(^{25}\)

**Tests of Hypotheses**

In order to test H1 and H2, I conduct a 2 (distinctiveness: distinctive versus non-distinctive) X 2 (competence: exceptional versus average) mixed design ANOVA with repeated measures on the competence variable. I counterbalance the order of presentation of the competence manipulation, and order does not influence my primary hypothesis tests (see table 4, Panels A through C for cell means, ANOVA results, and simple effects tests, and figure 2 for a graph of the cell means). The primary dependent variable for tests of H1 and H2 is the consultant’s assessed likelihood that s/he would advise the CFO to adopt the Financial Supply

\(^{25}\) I also measure and validate that the likelihood of a successful adoption and potential reputation benefits for the consultant do not differ across distinctiveness conditions.
Chain Management MCS. Consistent with my hypotheses, there is a significant distinctiveness X competence interaction ($F_{1, 34} = 5.96, p = 0.010$, one-tailed).

H1 predicts that consultants are more likely to recommend an MCS to an exceptional manager when the MCS is distinctive versus non-distinctive. I test H1 using the simple effect of distinctiveness, given exceptional manager competence. Consistent with H1, the simple effect is significant (6.00 versus 5.17, $F_{1, 34} = 3.10, p = 0.044$, one-tailed). In my experiment, consultants are more likely to recommend a distinctive versus non-distinctive MCS to an exceptional manager. H2 predicts that consultants are more likely to recommend an MCS to an average manager when the MCS is non-distinctive versus distinctive. I test H2 using the simple effect of distinctiveness, given average manager competence. Consistent with H2, the simple effect is significant (5.28 versus 3.83, $F_{1, 34} = 5.32, p = 0.019$, one-tailed). In my experiment, consultants are more likely to recommend a non-distinctive versus distinctive MCS to an average manager. Therefore, the data support both H1 and H2.26

In order to determine whether consultants are aware of the differences in their advice, I also conduct a 2 X 2 ANOVA using only the first level of the competence manipulation that participants see (i.e. I treat the data as if it is a between-participants design). If the hypothesized effects are weaker or differ in a between-participants analysis, then it is reasonable to infer that the hypothesized effects obtain even when the consultant is made aware of the different levels of the competence manipulation (Libby et al. 2002). Given that persuasion is a strategic and conscious process, evidence that consultants are aware of differences in their judgments is consistent with my theory.

26 As the data for this variable are not normally distributed, I also test my hypotheses using the nonparametric Mann-Whitney test and the Dwass-Steel-Critchlow-Fligner test for nonparametric pairwise comparisons (cf. Hollander and Wolfe 1999). I find that the simple effect of uniqueness is significant in the predicted direction for both average and exceptional managers ($\chi^2(1, N=36) = 4.69, p = 0.026$ and $\chi^2(1, N=36) = 4.98, p = 0.030$, respectively). Thus, my results are robust to both parametric and nonparametric tests.
The results reveal a marginally significant interaction of distinctiveness X competence (F<sub>1, 32</sub> = 2.12, p = 0.078, one-tailed) (see Table 5 for results). A review of the cell means in figure 3 reveals that the simple effect of distinctiveness given average competence (i.e. H2) is still significant (F<sub>1, 32</sub> = 2.97, p = 0.048, one-tailed), but the simple effect of distinctiveness given exceptional competence (i.e. H1) is not significant (F<sub>1, 32</sub> < 0.01, p = 0.473, one-tailed). Interestingly, the advice for the exceptional manager to adopt the distinctive versus non-distinctive MCS is driven by the responses of consultants who are aware of the competence manipulation, or in other words, by those who advise the average manager first. Because H1 appears to be strengthened by this awareness, I conclude that consultants are aware of the differences in their advice.

**Supplemental Analyses**

**The Consultant's Provision of Persuasive Information**

My theory argues that consultants apply different persuasion tactics to managers with different levels of competence. Persuasion tactics involve the consultant’s use of available information to change the attitudes or beliefs of the manager. My theory, therefore, implies that consultants selectively share different kinds of persuasive information (i.e. social proof versus scarcity information), depending on the competence of the manager.

On a between-participants basis, I ask consultants to rate the likelihood with which they would include four different pieces of information in their proposal to the manager; that is, consultants assess this likelihood only for the first manager whom they advise. The four pieces are information about similar firms that had adopted a similar MCS, information about the level of customization that the consultant advises to the MCS, information about the consultant’s own

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27Since I administer the experiment online, I design the experiment in this manner out of concern that response rates would diminish if consultants are asked to respond to too many measures or if the task takes too long.
expertise, and information about the competitive advantage that the firm would enjoy if it adopts the MCS. The first and second measures are of primary interest in this analysis, as they reflect the likelihood with which the consultant would employ the social proof and scarcity principles, respectively.28

In order to test these persuasion process variables, I conduct two separate 2 (Distinctiveness: distinctive versus non-distinctive) X 2 (Competence: exceptional versus average) ANOVAs, using either the social proof measure or the scarcity measure as the dependent variable.29 See figures 4 and 5 for graphs of cell means; see tables 6 and 7 for ANOVA results and descriptive statistics. For the social proof measure, there is a significant main effect of competence (F1, 32 = 6.09, p = 0.019), with no effects of distinctiveness (F1, 32 = 0.24, p = 0.625) or the competence X distinctiveness interaction (F1, 32 = 0.24, p = 0.625). Specifically, consultants are more likely to include information about the actions of similar firms, and thus to employ the social proof principle, for average managers than for exceptional managers. This finding is consistent with my theory that consultants believe that social proof is more effective for average managers than for exceptional managers.

For the scarcity variable, there are significant main effects of distinctiveness (F1, 32 = 4.38, p = 0.044) and competence (F1, 32 = 6.12, p = 0.019), but no interaction (F1, 32 = 1.06, p = 0.312). The results on this variable suggest that consultants are more likely to emphasize the customized nature of an MCS when the manager’s competence is exceptional versus average.

28I frame the social proof question as hypothetical, specifically by asking consultants whether they would share social proof information if such information were available, to ensure that I could measure the consultant’s intentions or desire to use social proof in both distinctiveness conditions. Without framing this question as hypothetical, it is implausible to provide social proof information in the distinctive condition.

29 Because this analysis uses only the between subjects results, one could also label the competence factor in this ANOVA as Order: exceptional first versus average first.
The main effect of competence is consistent with my theory that consultants believe that scarcity is more effective for exceptional managers than for average managers.

These results suggest that consultants selectively include persuasive information with their advice, depending on the manager’s competence. The results provide additional evidence on the connection between persuasion and advice in a consulting context. In particular, *the competence of the manager influences which potential benefits the consultant emphasizes to the manager*. The next section addresses whether consultants believe that there are differences in the likely realization of these benefits.

**Control Benefits of the Consultant’s Advice**

I measure and analyze consultants’ beliefs about the benefits of their advice with two objectives in mind. First, if consultants believe that their advice will benefit the manager, then there is evidence that consultants do not merely provide self-serving advice to the manager. Second, if anticipated benefits drive the consultants’ advice, then there may be additional support for my theory. Specifically, if the consultant targets the scarcity tactic towards the exceptional manager, then the consultant believes that there is an incremental benefit for the exceptional manager to adopt the distinctive versus non-distinctive MCS. If the consultant targets the social proof tactic towards the average manager, however, then the consultant may only believe that there is an absence of disadvantages for the average manager to adopt a non-distinctive versus distinctive MCS. Therefore, my theory implies that anticipated benefits drive the consultant’s advice to the exceptional manager, but not to the average manager.

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30 It is possible that consultants rationalize *ex post* that their advice is beneficial, but there is no reason to expect that these rationalizations differ across conditions. Thus, *ex post* rationalization may limit the conclusions for the first objective, but not for the second objective.
I measure predicted benefits by asking consultants to assess the likelihood that the firm will experience improvement on four key performance indicators (KPIs) if the manager follows the consultant’s advice. The KPIs are total accounting and finance function cost, days sales outstanding, ease of cross-divisional performance comparison, and customer satisfaction. The assessments are on a seven point Likert scale anchored by “Very Unlikely,” “Undecided,” and “Very Likely” (see figure 6 and table 8 for results).

The results in Table 8 show the differences between manager competence conditions for the mean likelihood of realizing benefits on the four key performance indicators. Consultants assess the likelihood of improvement as higher for exceptional managers than for average managers on the days sales outstanding (5.39 versus 4.81, $t(34) = 3.62$, $p = 0.001$), ease of comparing performance (6.25 versus 5.78, $t(34) = 4.07$, $p < 0.001$), and customer satisfaction (5.17 versus 4.67, $t(34) = 3.70$, $p = 0.001$) measures. Consultants assess no difference in the likelihood that the exceptional versus average manager would reduce the total cost of the accounting function (4.00 versus 4.06, $t(34) = -0.32$, $p = 0.751$). Interestingly, I find no evidence that consultants believe that KPI improvements will vary across levels of distinctiveness (all $t(34) < 1.32$, $p > 0.196$). Therefore, consultants advise adoption of an MCS with differing likelihoods, even absent demonstrable variations in the benefits of the MCS.

These results suggest that the consultant believes that his or her advice will benefit the manager. On this MCS alone, the consultant identifies operational improvements in the core accounting function of performance evaluation and performance improvements on financial
(days sales outstanding) and non-financial measures (customer satisfaction). This evidence suggests that the consultant’s advice is not opportunistic.31

The consultant’s beliefs that the exceptional manager will benefit more than the average manager also open the possibility that the consultant advises MCS where they are most likely to succeed, not necessarily where they are most needed. This possibility is consistent with persuasion theory, as my theory suggests that incremental performance benefits only explain the consultant’s advice to the exceptional manager, not necessarily to the average manager.

In order to test this possibility, I conduct three 2 (Distinctiveness: distinctive versus non-distinctive) X 2 (Competence: exceptional versus average) ANCOVAs on the consultant’s advice to adopt, with repeated measures on the competence variable. I run one ANCOVA for each of the non-cost KPIs as a covariate.32 See Tables 9 through 11 for ANCOVA results. In the results, the main effect of competence becomes non-significant with the inclusion of the days sales outstanding, comparability, and customer satisfaction indicators (main effect of competence $F_{1,33} = 0.56, p = 0.459$, $F_{1,33} = 0.04, p = 0.841$, $F_{1,33} = 0.77, p = 0.386$, respectively). The distinctiveness X competence interaction remains significant or becomes marginally significant, depending on whether the days sales outstanding, comparability, and customer satisfaction indicators.

31 In an alternative test, I analyze the consultant’s assessment of the relative cost to the manager of following the consultant’s advice. I ask consultants to assess, “How much would it cost for the CFO to adopt your recommendations, relative to the average cost of Financial Supply Chain Management projects?” I measure responses on a five point Likert scale anchored by 1=“Substantially less,” 2=“Less,” 3=“About the same,” 4=“More,” and 5=“Substantially more.” Consultants would charge the average manager more than the exceptional manager ($p = 0.020$). Because the consultant is more likely to advise the adoption of the MCS to the exceptional manager, whom the consultant would charge less for the adoption, these results are contrary to the argument that short-term earnings maximization drives the consultant’s advice. This reasoning assumes that the consultant’s costs are similar across conditions, and I do measure and validate that reputation costs do not differ across conditions. Even if the consultant’s costs to implement the MCS are greater in the distinctive versus non-distinctive condition, there is no a priori reason to believe that this effect explains why the consultant would be more likely to advise adoption of a distinctive versus non-distinctive system to the exceptional manager.

32 Because I measure the KPIs within-participants, I use the difference score between the two measures as the covariate in the ANCOVA model (cf. Judd et al. 1993). This approach yields identical inferences to an approach in which I include each of the within-participants KPI measures as separate covariates in each ANCOVA.
The simple effects results suggest that differences in expected benefits explain the consultant’s advice to the exceptional manager, but not necessarily to the average manager.33 When I include the comparability indicator as a covariate, for example, the simple effect of distinctiveness given exceptional competence becomes non-significant (F1, 33 = 1.05, p = 0.156). This simple effect weakens substantially when I include days sales outstanding and customer satisfaction as well (simple effect F1, 33 = 2.20, p = 0.074 and F1, 33 = 1.74, p = 0.098, respectively). Conversely, the simple effect of distinctiveness given average competence remains significant with the inclusion of any of the benefits measures (all F1, 33 > 2.93, p < 0.048).34

In sum, the consultant advises a distinctive versus non-distinctive MCS to the exceptional manager, because the consultant believes that the manager will benefit more from the distinctive versus non-distinctive MCS. The consultant, however, does not believe that the average manager will benefit more from a non-distinctive versus distinctive MCS, even though the consultant is more likely to advise the non-distinctive versus distinctive MCS. These results are consistent with the argument that persuasion tactics of scarcity and social proof drive the consultant’s advice. My findings suggest that consultants advise MCS adoption in areas in which the adoption is most likely to succeed, especially towards exceptional managers, not necessarily where the MCS are most needed.35

33 This effect is consistent with moderated mediation, in which the mediating effect of expected benefits is stronger in the exceptional versus average manager conditions (cf. Preacher et al. 2007).
34 There is no evidence that differences in the CFO’s expected costs of adoption influence the consultant’s advice.
35 Consultants do not assess differences in pre-adoption control effectiveness across conditions on any of the three measures that I use: consistency with strategy, appropriate decision rights delegation, and enabling effective performance evaluation.
V. Conclusions

Although the consultant plays an important role in advising and informing managers about potentially beneficial MCS, this role is ill-understood in the accounting literature. I use both semi-structured interviews to identify how persuasion tactics operate in the consultant’s decision setting and an experiment to test the conditions under which consultants apply these tactics. I provide evidence that the consultant advises the manager to adopt an MCS based on the manager’s competence and the distinctiveness of the MCS. The persuasion tactics of social proof and scarcity are triggered by whether or not the manager’s competitors have adopted the MCS (i.e. non-distinctive versus distinctive tool), respectively, and the appropriateness of these tactics differ for managers of varying competence.

When the manager is exceptional, the consultant is more likely to recommend a distinctive versus non-distinctive MCS. Conversely, when the manager is average, the consultant is less likely to recommend a distinctive versus non-distinctive MCS. Consistent with my theory that persuasion drives the consultant’s advice, I provide evidence that the consultant selectively includes persuasive information in his or her advice. The consultant is more likely to target information about the actions of other firms—in other words, social proof information—toward average managers, but is more likely to target information about the customized nature of the tool—scarcity information—toward exceptional managers.

I also find that consultants expect managers to realize improvements on key financial and non-financial indicators, including days sales outstanding and customer satisfaction, if the managers follow the consultant’s advice. These supplementary findings provide evidence that the consultant does not merely advise non-beneficial changes in order to earn higher fees and intends to benefit the manager and the manager’s firm. Moreover, differences in the expected benefits of
advice drive differences in the consultant’s advice to the exceptional manager, but not to the average manager. These findings provide additional evidence that persuasion tactics play a role in the consultant’s advice.

These findings have important implications for scholars in multiple areas of accounting, including auditing, management accounting, financial accounting, and accounting information systems. Most importantly, I provide theory and evidence that consultants influence the processes through which firms measure and report financial and non-financial information, and illustrate the consultant’s role in shaping the information available to managers when they adopt MCS. By ignoring the role of the consultant, prior research has implicitly assumed that all importance variation in MCS adoption stems only from managers and/or their firms. I argue that even the information upon which the managers base these decisions is the variable output of a key source of expert judgment in accounting, and that MCS adoption amounts to a joint product of the manager and the consultant.

My findings should be of interest for multiple reasons to researchers and practitioners interested in management control systems. I extend the understanding of the role of third parties in the adoption of management control systems, as the literature has already identified venture capitalists (Davila and Foster 2007), suppliers (Chua and Mahama 2007), and alliance partners (Chapman and Kihn 2009) as influential third parties. Future research may investigate whether and under what conditions different supply chain partners employ the same consulting firms, as a means to account for potential differences in the consultant’s advice.

I also enhance the understanding of the tools that firms use to enable control and improve performance, which is essential to a complete understanding of control (Chapman 2005; Chapman and Kihn 2009). Due to the role of the consultant, the adoption of a specific control
system may depend not only on the characteristics of the firm, as proposed in the literature, but also on the diffusion of the MCS within a specific market. These inferences of this study are likely to generalize to a broad range of technologies and practices that consultants advise to managers. This range is likely to include the adoption and specific manifestation of financial reporting tools such as XBRL, cost management practices such as the Balanced Scorecard, control and governance technologies that automate and/or monitor internal controls, and decision support technologies such as executive dashboards and business intelligence.

This dissertation opens multiple avenues for future research into MCS adoption and design, and the influence of consultant-recommended MCS. Future research could investigate control design as a “joint product” of the manager and consultant. Such inquiry could include conditions that influence the manager’s solicitation and weighting of advice from expert sources, including consultants and auditors. One such question could investigate the conditions under which managers seek advice that reinforces or challenges the status quo from consultants or auditors. It is possible, for example, that managers tailor their solicitation of expert advice; they may seek contrary advice from third parties such as consultants, but seek corroborating advice from auditors or other sources.

It is also unknown whether and how the consultant’s advice influences the manager’s downstream decisions. For example, future research could test whether and how the availability of consultant-recommended tools influences the manager’s choice of performance measures or inputs into strategic decision making. Future research also could specify alternative investments for the manager and test the manager’s tendency to actually use investments in management control systems, such as the SAP technology in my experimental task, in order to signal their
ability to the market. To my knowledge, there has been very little research on the use of control design by managers to provide labor market signals.

I assume a one-shot setting with little prior interaction between the consultant and manager. Although this assumption is reasonable for a sales-oriented consulting setting, future research could relax this assumption and either allow for familiarity between the parties or allow the consultation to occur over multiple periods. Notably, the consulting process often does not end after the initial recommendation. If the manager decides to adopt the MCS, then the consultant actively assists in the implementation of the tool in a multi-period setting with more complex incentives and psychological considerations.

A multi-period setting not only would allow actors to learn and adjust their behavior, but also would open a wider array of persuasion tactics to the actors. For example, multiple periods allow for the use of reciprocity, liking, and consistency in order to persuade others (Cialdini 1993; 2001). It is also likely that the consultant advises a manager whom s/he knows and likes differently than a manager whom s/he may not know or like as much. Future research could develop a theory to suggest whether consultants are more likely to advise change to a well-liked manager, and whether this effect may be particularly pronounced for distinctive or non-distinctive MCS.

This dissertation expands the understanding of how persuasion considerations may shape managerial decision settings (cf. Kadous et al. 2005), including the information available to managers when they make accounting-relevant decisions. My study opens numerous promising routes for future inquiry into the link between consultants’ advice and persuasion, and the general psychological and applied literature would benefit from additional inquiry into settings of high resistance and high stakes. Future research could identify additional triggers for
persuasion and/or additional persuasion tactics that consultants may use when they advise managers to adopt accounting-relevant tools and changes. For instance, the principle of consistency suggests that managers may be more likely to change controls if they are made to perceive that this change is consistent with their previous actions and choices. It is possible that the consultant may be more likely to recommend substantive accounting or control changes after observing that the manager has made relatively minor systems changes. Research into this possibility may illuminate possible strategies to compel managers to make potentially beneficial and substantive changes to their accounting and control systems.

This study highlights a poorly-understood source of expert advice that managers obtain about their controls and accounting systems. As the consultant is one of multiple sources of expert advice for the manager, this study enriches our understanding of the influences on managers when they make decisions. My findings should be of interest to scholars and practitioners in auditing, especially business risk auditing (cf. Bell et al. 2005; Knechel 2007), because this advice involves decisions that influence process- and entity-level controls and managers’ perceptions of the effectiveness of these controls. Future research could investigate auditors’ assessments of consultant-advised changes, including the effects of these changes on risks associated with internal controls over financial reporting and engagement-level variables such as audit fees. Moreover, future research also could examine the potential joint effects of different sources of expert advice, such as consultants and auditors, on the control design choices of managers. Potentially interesting dependent variables include managers’ weighting and evaluations of advice from different expert sources.

I note three limitations to the inferences that one can draw from my dissertation, which result from assumptions that I make to simplify my research setting. First, neither my theory nor
my experimental setting defines the alternative opportunities available to the consultant and manager. Accordingly, I do not make economic predictions or claims about the optimality of my findings, as I make no claims to have accounted fully for the preferences of the actors. The purpose of this study is to test how features of the setting trigger persuasion mechanisms and lead to different consultant tendencies to advise and inform managers. It is reasonable, however, to assume that persuasion is a primary consideration in the initial process of educating a manager about a potential change (Agryis and Kaplan 1994), and study 1 provides evidence that is consistent with this observation.

Second, although there are two “players” in my setting, only the consultant “moves.” In combination with a full accounting for the preferences of the “players,” the addition of manager decisions would allow the testing of game theoretic strategies, including the potential derivation of Pareto or Nash equilibrium strategies for the consultant and the manager. Third, in my setting, the manager who decides to adopt the MCS also expects to use the MCS, which differs from a setting in which this manager decides to adopt MCS that will only affect the day-to-day tasks of subordinates. Future research could test whether and how the consultant’s advice changes when there is a lower expectation that the manager will care about implementation costs.
References


Figure 1

Graphical Depiction of Experimental Procedures

Case Details
- Invited to advise
- Company description
- Accounting problems

Competence & Distinctiveness Manipulations

Measures
- Provide advice
- Predict KPIs
- Other process measures

Commit Additional Resources?

Within-subjects manipulation of competence
- Provide advice
- Predict KPIs

Post-test
- Demographics
- Benefits of MCS?
- Attitudes towards change
The primary dependent variable is the likelihood with which consultants would advise the firm in the experimental case to adopt the Financial Supply Chain Management MCS, measured on a seven point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
Figure 3

Advice to Adopt MCS, Between-Participants Results Only

This figure represents means of the consultant’s advice to only the first level of the competence manipulation that the consultant viewed, thus it displays between-participants results only. The primary dependent variable is the likelihood with which consultants would advise the FSCM system to the manager, measured on a seven point Likert scale. Higher values indicate higher likelihoods. Distinctiveness is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. Competence is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
The primary dependent variable is the likelihood with which consultants would include information about “similar firms have taken actions similar to your recommendation, if applicable,” to support their recommendation to the CFO, on a seven-point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management MCS. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
The primary dependent variable is the likelihood with which consultants would include information about “the extent to which your solution is customized to the client” to support their recommendation to the CFO, on a seven-point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
The dependent variable in the table above indicates consultants’ assessments of the likelihood with which the firm would realize improvements on the key performance indicator in question, if the CFO follows consultants’ advice, measured on a seven point Likert scale. The midpoint of this scale is four, which was anchored by “Unsure,” which indicates that the consultant is unsure whether the firm will realize improvements on this KPI. Higher values indicate higher likelihoods. **Days sales outstanding** is the likelihood with which the firm will realize improvements on days sales outstanding, which firms often compute as (accounts receivable / total credit sales) * # of days in period. **Cost** is the likelihood with which the firm will reduce the total cost of the accounting function. **Comparability** is the likelihood with which the firm will realize improvements on the ease of cross-divisional performance comparison. **Customer satisfaction** is the likelihood with which the firm will realize improvements on customer satisfaction. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
### Table 1
Descriptive Data for Interview Participants

<table>
<thead>
<tr>
<th>Participant</th>
<th>Title</th>
<th>Total Exp (Years)</th>
<th>Consulting Exp (Years)</th>
<th>Domain Specialization</th>
<th>Industry Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>14</td>
<td>14</td>
<td>Finance &amp; Accounting</td>
<td>Medical Devices, Electronics</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>23</td>
<td>23</td>
<td>Finance &amp; Accounting</td>
<td>Automotive, Heavy Manufacturing</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>26</td>
<td>14</td>
<td>Logistics / Production</td>
<td>Electronics</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>26</td>
<td>13</td>
<td>Logistics / Production</td>
<td>Manufacturing, Food and Beverage</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>20</td>
<td>13</td>
<td>Logistics / Production</td>
<td>Chemicals, Oil &amp; Gas</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>25</td>
<td>20</td>
<td>Finance &amp; Accounting</td>
<td>CPG</td>
</tr>
<tr>
<td>7</td>
<td>3</td>
<td>30</td>
<td>17</td>
<td>Logistics / Production</td>
<td>Chemicals, Manufacturing, CPG</td>
</tr>
<tr>
<td>8</td>
<td>2</td>
<td>24</td>
<td>13</td>
<td>Finance &amp; Accounting</td>
<td>Aerospace &amp; Defense, Metals</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>34</td>
<td>17</td>
<td>Finance &amp; Accounting</td>
<td>Pharmaceuticals, Manufacturing</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td>28</td>
<td>25</td>
<td>Logistics / Production</td>
<td>Electronics, Manufacturing</td>
</tr>
<tr>
<td>11</td>
<td>2</td>
<td>28</td>
<td>13</td>
<td>Logistics / Production</td>
<td>Automotive, Utilities</td>
</tr>
<tr>
<td>12</td>
<td>1</td>
<td>26</td>
<td>13</td>
<td>Logistics / Production</td>
<td>Medical Devices, Industrial Products</td>
</tr>
<tr>
<td>13</td>
<td>1</td>
<td>12</td>
<td>12</td>
<td>Finance &amp; Accounting</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>14</td>
<td>1</td>
<td>15</td>
<td>15</td>
<td>Logistics / Production</td>
<td>Manufacturing</td>
</tr>
</tbody>
</table>

**Mean**  
Total Exp: 23.6  
Consulting Exp: 15.9

**Standard Deviation**  
Total Exp: 6.3  
Consulting Exp: 4.1

Note on titles: 3 = Partner, Vice President, or Director; 2 = Principal, Associate Partner; 1 = Project Manager
Table 2

Interview Response Data

<table>
<thead>
<tr>
<th>Panel A: Unprompted Mentions of Control / Organizational Architecture Component</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegation / Decision Making Structure</td>
<td>9</td>
<td>64%</td>
</tr>
<tr>
<td>Measurement / Reporting</td>
<td>7</td>
<td>50%</td>
</tr>
<tr>
<td>Incentives</td>
<td>5</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B: Statements about Role of Consultant and Advisory Relationship Statement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role is to change / challenge status quo</td>
<td>13</td>
<td>93%</td>
</tr>
<tr>
<td>Reputation costs</td>
<td>11</td>
<td>79%</td>
</tr>
<tr>
<td>Need to persuade client</td>
<td>10</td>
<td>71%</td>
</tr>
<tr>
<td>Role is to educate manager</td>
<td>7</td>
<td>50%</td>
</tr>
<tr>
<td>Consultant has clear expertise advantage</td>
<td>6</td>
<td>43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel C: Most Important Determinant of Recommendations Determinant</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management competence</td>
<td>10</td>
<td>71%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel D: Persuasion Principles and Triggers Statement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customization</td>
<td>13</td>
<td>93%</td>
</tr>
<tr>
<td>Best practices / social proof</td>
<td>9</td>
<td>64%</td>
</tr>
<tr>
<td>New products and technologies</td>
<td>7</td>
<td>50%</td>
</tr>
</tbody>
</table>

Notes:
Panel A summarizes the number of participants who mention various components of organizational architecture in the interviews without being prompted. No responses about OA are explicitly prompted.

Panel B summarizes the number of participants who mention aspects of the consultant / manager relationship and the expectations of each party.

Panel C summarizes responses to the question, "What is the most important variable in determining your recommendations and whether they will be adopted successfully?"
Table 3
Descriptive Data for Experiment

<table>
<thead>
<tr>
<th>Measure</th>
<th>n</th>
<th>Mean</th>
<th>Std Dev</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demographics:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Experience</td>
<td>36</td>
<td>16.72</td>
<td>6.35</td>
<td>7.00</td>
<td>35.00</td>
</tr>
<tr>
<td>CPA / CMA</td>
<td>36</td>
<td>0.19</td>
<td>0.40</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>PMP</td>
<td>36</td>
<td>0.17</td>
<td>0.38</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Knowledge of FSCM tool</td>
<td>36</td>
<td>3.92</td>
<td>1.18</td>
<td>1.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Benefits of FSCM tool</td>
<td>36</td>
<td>5.67</td>
<td>0.83</td>
<td>4.00</td>
<td>7.00</td>
</tr>
<tr>
<td>SAP failures are frequent</td>
<td>36</td>
<td>4.53</td>
<td>1.78</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Advising change benefits clients</td>
<td>36</td>
<td>6.69</td>
<td>0.58</td>
<td>5.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Clients expect consultant to advise change</td>
<td>36</td>
<td>4.94</td>
<td>1.39</td>
<td>2.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Firm expects consultant to advise change</td>
<td>36</td>
<td>4.69</td>
<td>1.53</td>
<td>1.00</td>
<td>7.00</td>
</tr>
<tr>
<td><strong>Evaluations of the Case:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Similarity to firms you've advised</td>
<td>36</td>
<td>4.89</td>
<td>1.04</td>
<td>2.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Likely resistance to change</td>
<td>36</td>
<td>6.61</td>
<td>0.69</td>
<td>5.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Control effectiveness: managing overall risk</td>
<td>36</td>
<td>2.22</td>
<td>0.76</td>
<td>1.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Control effectiveness: delegating decisions</td>
<td>36</td>
<td>2.56</td>
<td>1.00</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Control effectiveness: enabling comparison</td>
<td>36</td>
<td>1.97</td>
<td>1.03</td>
<td>1.00</td>
<td>6.00</td>
</tr>
</tbody>
</table>

**Professional experience** is consultants’ self-reported total experience in years. **CPA/CMA** is a binary variable of 1 if the consultant is a Certified Public Accountant or Certified Management Accountant designation, and 0 otherwise. **PMP** is a binary variable of 1 if the consultant has a Project Management Professional certification, and 0 otherwise. **Knowledge of FSCM tool** is consultants’ assessment of their knowledge of the Financial Supply Chain Management tool, relative to consultants with similar experience, measured on a seven point Likert scale. Higher scores indicate greater knowledge. **Benefits of FSCM tool** is consultants’ assessment of how beneficial is the Financial Supply Chain Management tool, measured on a seven point Likert scale. Higher scores indicate greater benefits. **SAP failures are frequent** measures consultants’ agreement with the statement that SAP failures occur frequently, measured on a seven point Likert scale. Higher scores indicate greater levels of agreement. **Advising change benefits clients** measures consultants’ agreement with the statement that, by recommending change, the consultant benefits his or her clients, measured on a seven point Likert scale. Higher scores indicate greater levels of agreement. **Clients expect consultant to advise change** measures consultants’ agreement with the statement that clients expect consultants to recommend change, measured on a seven point Likert scale. Higher scores indicate greater levels of agreement. **Firm expects consultant to advise change** change measures consultants’ agreement with the statement that the consultant’s employer expects them to recommend changes to client, measured on a seven point Likert scale. Higher scores indicate greater levels of agreement. **Similarity to firms you’ve advised** measures consultants’ assessments of the similarity of the firm in the experimental case to firms the consultants have advised, measured on a seven point Likert scale. Higher scores indicate a greater degree of similarity. **Likely resistance to change** indicates consultants’ level of agreement with the statement that resistance by division managers will threaten the project’s success, measured on a seven point Likert scale. Higher scores indicate greater levels of agreement. The three **control effectiveness** measures indicate consultants’ assessments of the effectiveness of the accounting processes of the firm in the experimental case, prior to any advice by the consultant, measured on a seven point Likert scale. Higher scores indicate greater effectiveness.
Table 4
Consultants’ Advice to Adopt the Tool

Panel A: Descriptive Statistics – Means, (Standard Deviation), Number of Observations

<table>
<thead>
<tr>
<th>Distinctiveness</th>
<th>Average</th>
<th>Exceptional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-distinctive</td>
<td>5.28 (1.81)</td>
<td>n=18</td>
</tr>
<tr>
<td>Distinctive</td>
<td>3.83 (1.95)</td>
<td>n=18</td>
</tr>
</tbody>
</table>

Panel B: Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Subjects Effects:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness</td>
<td>1.68</td>
<td>1</td>
<td>1.68</td>
<td>1.030</td>
<td>0.317</td>
</tr>
<tr>
<td>Error</td>
<td>55.47</td>
<td>34</td>
<td>1.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Subjects Effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>19.01</td>
<td>1</td>
<td>19.01</td>
<td>4.86</td>
<td>0.034</td>
</tr>
<tr>
<td>Competence * Distinctiveness</td>
<td>23.35</td>
<td>1</td>
<td>23.35</td>
<td>5.96</td>
<td>0.010</td>
</tr>
<tr>
<td>Error</td>
<td>140.65</td>
<td>34</td>
<td>3.91</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel C: Simple Effects Tests

<table>
<thead>
<tr>
<th>Source</th>
<th>df</th>
<th>F</th>
<th>p</th>
<th>Source</th>
<th>df</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Simple Effect of Distinctiveness, given Exceptional</td>
<td>1</td>
<td>3.10</td>
<td>0.044</td>
<td>Simple Effect of Competence, given Distinctive</td>
<td>1</td>
<td>21.03</td>
<td>&lt; 0.001</td>
</tr>
<tr>
<td>H2: Simple Effect of Distinctiveness, given Average</td>
<td>1</td>
<td>5.32</td>
<td>0.019</td>
<td>Simple Effect of Competence, given Non-distinctive</td>
<td>1</td>
<td>&lt; 0.01</td>
<td>0.953</td>
</tr>
</tbody>
</table>

Simple effect and the competence X distinctiveness interaction p values are one-tailed because predictions are directional. All other p-values are two-tailed.

The primary dependent variable is the likelihood with which consultants would advise the firm in the experimental case to adopt the Financial Supply Chain Management tool, measured on a seven point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
Table 5:
Consultants’ Advice to Adopt an MCS (between participants only)

Panel A: Descriptive Statistics – Means, (Standard Deviation), Number of Observations

<table>
<thead>
<tr>
<th>Distinctiveness</th>
<th>Manager Competence</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-distinctive</td>
<td>5.90 (1.73)</td>
<td>n=10</td>
<td>5.75</td>
</tr>
<tr>
<td></td>
<td>Distinctive</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.63 (1.30)</td>
<td>n=8</td>
<td>5.80</td>
</tr>
</tbody>
</table>

Panel B: Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distinctiveness</td>
<td>3.34</td>
<td>1</td>
<td>3.34</td>
<td>1.37</td>
<td>0.250</td>
</tr>
<tr>
<td>Competence</td>
<td>2.34</td>
<td>1</td>
<td>2.34</td>
<td>0.96</td>
<td>0.335</td>
</tr>
<tr>
<td>Distinctiveness X Competence</td>
<td>5.15</td>
<td>1</td>
<td>5.15</td>
<td>2.12</td>
<td>0.078</td>
</tr>
<tr>
<td>Error</td>
<td>77.88</td>
<td>32</td>
<td>2.43</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel C: Hypothesis Tests

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Effect of distinctiveness, given exceptional competence</td>
<td>0.01</td>
<td>1</td>
<td>0.01</td>
<td>&lt; 0.01</td>
<td>0.473</td>
</tr>
<tr>
<td>H2: Effect of distinctiveness, given average competence</td>
<td>7.23</td>
<td>1</td>
<td>7.23</td>
<td>2.97</td>
<td>0.048</td>
</tr>
</tbody>
</table>

Simple effect and the competence X distinctiveness interaction p values are one-tailed because predictions are directional. All other p-values are two-tailed. The primary dependent variable is the likelihood with which consultants would advise the FSCM system to the manager, measured on a seven point Likert scale. Higher values indicate higher likelihoods. Distinctiveness is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. Competence is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average).
Table 6:
Inclusion of Social Proof Information with Advice

Panel A: Descriptive Statistics – Means, (Standard Deviation), Number of Observations

<table>
<thead>
<tr>
<th>Distinctiveness</th>
<th>Average</th>
<th>n</th>
<th>Exceptional</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-distinctive</td>
<td>5.50</td>
<td>10</td>
<td>4.50</td>
<td>8</td>
</tr>
<tr>
<td>Distinctive</td>
<td>6.00</td>
<td>8</td>
<td>4.50</td>
<td>10</td>
</tr>
</tbody>
</table>

Panel B: Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distinctiveness</td>
<td>0.56</td>
<td>1</td>
<td>0.56</td>
<td>0.24</td>
<td>0.625</td>
</tr>
<tr>
<td>Competence</td>
<td>13.89</td>
<td>1</td>
<td>13.89</td>
<td>6.09</td>
<td>0.019</td>
</tr>
<tr>
<td>Distinctiveness X Competence</td>
<td>0.56</td>
<td>1</td>
<td>0.56</td>
<td>0.24</td>
<td>0.625</td>
</tr>
<tr>
<td>Error</td>
<td>73.00</td>
<td>32</td>
<td>2.28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVA p values are two-tailed.

The primary dependent variable is the likelihood with which consultants would include information about the actions of other firms in their advice to the manager, measured on a seven point Likert scale. Higher values indicate higher likelihoods. Distinctiveness is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. Competence is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average). Each likelihood is measured on a seven point Likert scale.
Table 7:  
Inclusion of Scarcity Information with Advice

Panel A: Descriptive Statistics – Means, (Standard Deviation), Number of Observations

<table>
<thead>
<tr>
<th>Distinctiveness</th>
<th>Manager Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
</tr>
<tr>
<td>Non-distinctive</td>
<td>4.90 (0.74)</td>
</tr>
<tr>
<td>Distinctive</td>
<td>5.25 (1.04)</td>
</tr>
</tbody>
</table>

Panel B: Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distinctiveness</td>
<td>4.20</td>
<td>1</td>
<td>4.20</td>
<td>4.38</td>
<td>0.044</td>
</tr>
<tr>
<td>Competence</td>
<td>5.87</td>
<td>1</td>
<td>5.87</td>
<td>6.12</td>
<td>0.019</td>
</tr>
<tr>
<td>Distinctiveness X Competence</td>
<td>1.01</td>
<td>1</td>
<td>1.01</td>
<td>1.06</td>
<td>0.312</td>
</tr>
<tr>
<td>Error</td>
<td>30.68</td>
<td>32</td>
<td>0.96</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVA p values are two-tailed. 

The primary dependent variable is the likelihood with which consultants would include information about the level of customization of the tool in their advice to the manager, measured on a seven point Likert scale. Higher values indicate higher likelihoods. Distinctiveness is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. Competence is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average). Each likelihood is measured on a seven point Likert scale.
Table 8
Cell Means for Improvements in Key Performance Indicators

Panel A: Descriptive Statistics – Means, (Standard Deviation), Number of Observations

<table>
<thead>
<tr>
<th>Distinctiveness</th>
<th>Cost of Accounting Department</th>
<th>Days Sales Outstanding</th>
<th>Ease of Performance Comparison Across Divisions</th>
<th>Customer Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Manager</td>
<td>Exceptional Manager</td>
<td>Average Manager</td>
<td>Exceptional Manager</td>
</tr>
<tr>
<td>Non-distinctive</td>
<td>4.17 (1.20)</td>
<td>4.06 (1.43)</td>
<td>n=18</td>
<td>5.17 (0.79)</td>
</tr>
<tr>
<td>Distinctive</td>
<td>3.94 (1.31)</td>
<td>3.94 (1.47)</td>
<td>n=18</td>
<td>5.61 (1.20)</td>
</tr>
</tbody>
</table>

Panel B: Comparisons of Cell Means, Manager Competence

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Average</th>
<th>Exceptional</th>
<th>t</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Accounting Department</td>
<td>4.06</td>
<td>4.00</td>
<td>-0.32</td>
<td>34</td>
<td>0.751</td>
</tr>
<tr>
<td>Days Sales Outstanding</td>
<td>4.81</td>
<td>5.39</td>
<td>3.62</td>
<td>34</td>
<td>0.001</td>
</tr>
<tr>
<td>Ease of Comparison Across Divisions</td>
<td>5.78</td>
<td>6.25</td>
<td>4.07</td>
<td>34</td>
<td>&lt; 0.001</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>4.67</td>
<td>5.17</td>
<td>3.70</td>
<td>34</td>
<td>0.001</td>
</tr>
</tbody>
</table>

P-values are two-tailed.
The dependent variable in the tables above indicates consultants’ assessments of the likelihood with which the firm would realize improvements on the key performance indicator in question, if the CFO follows consultants’ advice, measured on a seven point Likert scale. Higher values indicate higher likelihoods.
Table 9
Consultants’ Advice to Adopt the FSCM Tool w/ days sales outstanding covariate

Panel A: Analysis of Covariance (inclusion of days sales outstanding)

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between-Subjects Effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness</td>
<td>0.79</td>
<td>1</td>
<td>0.79</td>
<td>0.50</td>
<td>0.484</td>
</tr>
<tr>
<td>DSO (Difference btw High and Average)</td>
<td>3.48</td>
<td>1</td>
<td>3.48</td>
<td>2.21</td>
<td>0.147</td>
</tr>
<tr>
<td>Error</td>
<td>51.99</td>
<td>33</td>
<td>1.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within-Subjects Effects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>1.95</td>
<td>1</td>
<td>1.95</td>
<td>0.56</td>
<td>0.459</td>
</tr>
<tr>
<td>Competence * Distinctiveness</td>
<td>14.78</td>
<td>1</td>
<td>14.78</td>
<td>4.67</td>
<td>0.047</td>
</tr>
<tr>
<td>Competence * DSO (Difference btw High and Average))</td>
<td>18.90</td>
<td>1</td>
<td>18.90</td>
<td>5.46</td>
<td>0.026</td>
</tr>
<tr>
<td>Error</td>
<td>114.24</td>
<td>33</td>
<td>3.462</td>
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</table>

Panel B: Effects on Hypothesis Tests

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Simple Effect of Distinctiveness, given Exceptional:</td>
<td>4.37</td>
<td>1</td>
<td>4.37</td>
<td>2.20</td>
<td>0.074</td>
</tr>
<tr>
<td>Error</td>
<td>65.42</td>
<td>33</td>
<td>1.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2: Simple Effect of Distinctiveness, given Average</td>
<td>11.20</td>
<td>1</td>
<td>11.20</td>
<td>3.67</td>
<td>0.064</td>
</tr>
<tr>
<td>Error</td>
<td>100.81</td>
<td>33</td>
<td>3.06</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANCOVA p values are two-tailed.
The primary dependent variable is the likelihood with which consultants would advise the firm in the experimental case to adopt the Financial Supply Chain Management tool, measured on a seven point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average). **DSO** is the difference score of consultants’ assessments of the likelihood with which the firm would realize improvements on the key performance indicator of “days sales outstanding,” if the CFO follows the consultant’s advice. Each likelihood is measured on a seven point Likert scale.
### Table 10
Consultants’ Advice to Adopt the FSCM Tool w/ improved comparability covariate

#### Panel A: Analysis of Covariance (inclusion of comparability)

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
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</thead>
<tbody>
<tr>
<td><strong>Between-Subjects Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness</td>
<td>1.52</td>
<td>1</td>
<td>1.52</td>
<td>.90</td>
<td>0.349</td>
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<tr>
<td>Comparability</td>
<td>&lt; 0.01</td>
<td>1</td>
<td>&lt; 0.01</td>
<td>&lt; 0.01</td>
<td>0.976</td>
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<tr>
<td>Error</td>
<td>55.47</td>
<td>33</td>
<td>1.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Within-Subjects Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>0.13</td>
<td>1</td>
<td>0.13</td>
<td>0.04</td>
<td>0.841</td>
</tr>
<tr>
<td>Competence * Distinctiveness</td>
<td>9.52</td>
<td>1</td>
<td>9.52</td>
<td>3.04</td>
<td>0.090</td>
</tr>
<tr>
<td>Competence * Comparability</td>
<td>29.90</td>
<td>1</td>
<td>29.90</td>
<td>9.56</td>
<td>0.004</td>
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<tr>
<td>Error</td>
<td>103.24</td>
<td>33</td>
<td>3.13</td>
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<td></td>
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</tbody>
</table>

#### Panel B: Effects on Hypothesis Tests

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1: Simple Effect of</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness, given</td>
<td>1.72</td>
<td>1</td>
<td>1.72</td>
<td>1.05</td>
<td>0.156</td>
</tr>
<tr>
<td>Exceptional:</td>
<td></td>
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<tr>
<td>Error</td>
<td>53.77</td>
<td>33</td>
<td>1.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>H2: Simple Effect of</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness, given</td>
<td>9.32</td>
<td>1</td>
<td>9.32</td>
<td>2.93</td>
<td>0.048</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>104.94</td>
<td>33</td>
<td>3.18</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVA p values are two-tailed.
The primary dependent variable is the likelihood with which consultants would advise the firm in the experimental case to adopt the Financial Supply Chain Management tool, measured on a seven point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average). **Comparability** is the difference score of consultants’ assessments of the likelihood with which the firm would realize improvements on the key performance indicator of “ease of comparison across divisions,” if the CFO follows the consultant’s advice. Each likelihood is measured on a seven point Likert scale.
### Table 11
Consultants’ Advice to Adopt the FSCM Tool w/ improved customer satisfaction covariate

#### Panel A: Analysis of Covariance (inclusion of customer satisfaction)

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Between-Subjects Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctiveness</td>
<td>2.25</td>
<td>1</td>
<td>2.25</td>
<td>1.37</td>
<td>0.251</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>1.22</td>
<td>1</td>
<td>1.22</td>
<td>0.74</td>
<td>0.395</td>
</tr>
<tr>
<td>Error</td>
<td>54.25</td>
<td>33</td>
<td>1.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Within-Subjects Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>2.79</td>
<td>1</td>
<td>2.79</td>
<td>0.77</td>
<td>0.386</td>
</tr>
<tr>
<td>Competence * Distinctiveness</td>
<td>15.61</td>
<td>1</td>
<td>15.61</td>
<td>4.32</td>
<td>0.046</td>
</tr>
<tr>
<td>Competence * Customer SAT</td>
<td>13.83</td>
<td>1</td>
<td>13.83</td>
<td>3.83</td>
<td>0.059</td>
</tr>
<tr>
<td>Error</td>
<td>119.31</td>
<td>33</td>
<td>3.62</td>
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</table>

#### Panel B: Effects on Hypothesis Tests

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1: Simple Effect of Distinctiveness, given Exceptional:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>3.01</td>
<td>1</td>
<td>3.01</td>
<td>1.74</td>
<td>0.098</td>
</tr>
<tr>
<td><strong>Error</strong></td>
<td>56.86</td>
<td>33</td>
<td>1.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>H2: Simple Effect of Distinctiveness, given Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Error</td>
<td>14.84</td>
<td>1</td>
<td>14.84</td>
<td>4.20</td>
<td>0.025</td>
</tr>
<tr>
<td><strong>Error</strong></td>
<td>116.70</td>
<td>33</td>
<td>3.54</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANCOVA p values are two-tailed.
The primary dependent variable is the likelihood with which consultants would advise the firm in the experimental case to adopt the Financial Supply Chain Management tool, measured on a seven point Likert scale. Higher values indicate higher likelihoods. **Distinctiveness** is manipulated by informing consultants that either seven (non-distinctive) or none (distinctive) of the firm’s competitors have adopted the Financial Supply Chain Management tool. **Competence** is manipulated by informing consultants that the CFO either has an excellent track record and is in high demand in the market (exceptional) or the CFO has an average track record and is in moderate demand (average). **Customer Satisfaction** is the difference score of consultants’ assessments of the likelihood with which the firm would realize improvements on the key performance indicator of “customer satisfaction,” if the CFO follows the consultant’s advice. Each likelihood is measured on a seven point Likert scale.
Appendix A

List of Interview Questions from Study 1

1. What do you believe is the primary service that you provide to your clients? What do firms and managers expect to get when they hire a consultant?

2. Is there a difference between what clients expect to get and what you believe they should expect? Do clients have reasonable expectations? Do they expect too much from consultants or the products that consultants provide?

3. On what aspects of their business do managers and firms tend to hire consultants? What aspects of the business do consultant’s recommendations tend to concern?

4. To what degree do clients communicate and define their expectations to the consultant? How do clients do this? To what degree can the consultant shape these expectations?

5. To what extent do clients know what they want from the consultant’s product and/or the consultant’s advice? How do you know?

6. How do you adapt your recommendations to the needs of a particular client? Are there any indicators that give you a sense of what solutions might be beneficial to a client? Characteristics of the firms?

7. How frequently do clients disagree with your judgments and how do you manage these disagreements? Do you ever go over your client’s head in order to make a consulting engagement successful?

8. What is the most important variable in determining what to recommend and whether your recommendations will be adopted successfully?

9. On what dimensions do the consulting firms evaluate the performance of individual consultants? Are there any dimensions that you would change, or would you add any dimensions?

Note: The interview questions were intended to be open-ended. The interviews included many follow-up questions that are not included on this list, as follow-ups were tailored to individual responses.
Appendix B

Experimental Instrument from Study 2

THANK YOU!

This survey is part of my dissertation at the University of Illinois, and your help is instrumental in completing my degree.

This case is confidential and hypothetical, but try to assume that you are making actual decisions.

Please click the button below to continue.

Your Task

Assume that you have been asked to assist business development activities related to SAP's Financial Supply Chain Management (FSCM) tool. As you know, FSCM is a tool that allows firms to consolidate and automate their credit management and collections.

The Chief Financial Officer (CFO) of ABC Manufacturing, Inc. may be interested in adopting FSCM, and has sent you a Request for Proposals (RFP). The RFP relates to Order to Cash issues that arise from ABC's decentralized structure, especially its decentralized credit management processes.

Your firm wants you to take a shot at the RFP. Do not worry if you are not an expert in SAP FSCM.

ABC Manufacturing, Inc. Background

ABC Manufacturing Inc. is a privately-held firm headquartered in Kutztown, Pennsylvania. ABC has a hybrid low-cost / product differentiation strategy to provide top-quality products at reasonable prices.

ABC's products are customized for each customer and, in many cases, for each order. Its primary products include:

· Barcode and serialized labels
· Safety and tamper-indicating labels
· Brand-indicating and brand protection labels (e.g. holograms)
· RFID tags

ABC's revenue has grown from $275 million in 2001, when its founder stepped aside as CEO, to $710 million in 2010 (11% average growth per year). The growth has been organic. ABC has increased revenue from its long-standing customers in the storage media, electronics, and semiconductor industries, and has expanded into the pharmaceuticals and life sciences industries.

ABC has five divisions, one for each of the five industries that it serves. Revenue and growth rates are similar across divisions. The firm plans to expand its product lines in the near future, in order to continue its growth.

ABC'S Decentralized Structure

Division managers have substantial authority, including over the SAP system, which has led each division to run a different instance of SAP.
ABC’s accounting and finance function is mostly decentralized. Its corporate HQ manages financial reporting, taxation, and internal audit, but each division has its own accounting and finance department with substantial autonomy over the order to cash, procure to pay, and record to report cycles.

Division managers like this decentralized structure. They claim that it makes accounting responsive to unique business needs.

**THE PROBLEM**

Each division has its own credit and collections policies. Since ABC’s products are customized, customer disputes occur frequently as a natural aspect of business. Combined with the decentralized structure, these disputes make managing cash flow difficult. It takes substantial effort to manage and track disputes, and disputes often result in large and unpredictable deductions. It is also difficult for the CFO to make comparisons across divisions.

Also, these disputes may adversely affect customer satisfaction, which is very important to ABC.

The CFO is skeptical of the benefits of decentralized accounting, and wants a solution that efficiently and effectively:

- Manages disputes and cash flow
- Supports ABC’s future growth plans

The CFO is most concerned about these key performance indicators:

- Days Sales Outstanding (DSO), which is above the industry average
- Total cost of the accounting and finance function, which is above the industry average

The CFO has been at ABC for 5 years.

**Competence Manipulation:**

*Average:* Based on your information, the CFO is an average manager. He has an average track record and is in moderate demand by other firms.

*Exceptional:* Based on your information, the CFO is a star. He has an excellent track and is in high demand by other firms.

He may seek a job in a larger firm, after the credit management issues have been resolved.

ABC competes with 10 other firms that are comparable to ABC in size, strategy, and market share. All use SAP.

**Distinctiveness Manipulation:**

*Non-distinctive:* Seven of ABC’s competitors have adopted FSCM, and have consolidated and automated these processes.

*Distinctive:* None of ABC’s competitors have adopted FSCM yet, and have not consolidated and automated these processes.
### Questions

Rate the effectiveness of ABC's current accounting and finance structure on the following criteria:

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Controls risks to ABC's overall objectives</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
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</tr>
<tr>
<td>Gives decision authority to the right personnel</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Enables HQ to compare division performance</td>
<td>[ ]</td>
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How likely are you to recommend that ABC:

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<tbody>
<tr>
<td>Adopt Financial Supply Chain Management?</td>
<td>[ ]</td>
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<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Change its accounting and finance processes?</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
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</tbody>
</table>

What degree of change would you recommend to ABC's accounting and finance processes?

<table>
<thead>
<tr>
<th></th>
<th>1. Very small degree of change</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
<th>5.</th>
<th>6.</th>
<th>7. Very large degree of change</th>
</tr>
</thead>
<tbody>
<tr>
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<td>[ ]</td>
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</tbody>
</table>
Please provide a brief statement (i.e. a sentence or two) about what ABC should do (e.g. upgrade? reimplementation? centralize or decentralize? alternatives to FSCM?):

Please evaluate the CFO's

<table>
<thead>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<td>Very low</td>
<td>Moderate</td>
<td>Very high</td>
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</table>

Competence

Ability to implement your recommendations

To what extent do you agree or disagree with the following statements?

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<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Somewhat Disagree</td>
<td>Neither Agree nor Disagree</td>
<td>Somewhat Agree</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

The CFO will follow your recommendations.

Resistance by division managers will threaten the project's success.

Your recommendation will give ABC a competitive advantage.

You can persuade the CFO by calling attention to what competitors have done.

FSCM is widely-adopted in ABC's industry.

It would damage your reputation if this project fails.

This project will be successful.
Assume the CFO follows your recommendations. Rate the effectiveness of ABC’s accounting and finance structure on the following criteria:

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<td></td>
<td>Controls risk to ABC's overall objectives</td>
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<td></td>
<td>Gives decision authority to the right personnel</td>
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<td></td>
<td>Enables HQ to compare division performance</td>
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</table>

Assume the CFO follows your recommendations. How likely is ABC to improve these indicators?

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<td>Cost of the accounting and finance function</td>
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<td></td>
<td>Easy cross-division performance comparisons</td>
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<td>Customer satisfaction</td>
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</table>
How likely are you to emphasize the following information in the RFP, to support your recommendations?

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<td>Your own expertise</td>
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<td>The competitive</td>
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<td>client will gain, if</td>
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<td>customized to the client</td>
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How much would it cost for the CFO to adopt your recommendation, relative to the average cost of Financial Supply Chain Management projects?

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<td>About the same</td>
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Select the appropriate range for ABC’s cost to adopt your recommendations.

- $300K or less
- $301K to $750K
- $751K to $1.5M
- $1.5M to $5.0M
- $5.1M or greater

What is the biggest mistake that the CFO could make in this situation?
After hearing your recommendations, the CFO sends you the following message:

"You are one of four finalists (out of eight firms who provided proposals). I would like to invite you to our headquarters, along with an FSCM expert from your firm, to give a more detailed presentation."

Although your firm will reward you for winning this deal, a trip to ABC's headquarters, along with the engagement of a subject matter expert, would be costly.

How likely are you to invest the time and resources necessary to win this deal?


[Circle choices]
WITHIN-PARTICIPANTS MANIPULATION:

IF THE PARTICIPANT RECEIVED THE HIGH COMPETENCE MANIPULATION FIRST:

Assume that the CFO is an average manager, instead of a star. Assume that he has an average track record and is in moderate demand by other firms, instead of an excellent track record and being in high demand.

He may still seek a job in a larger firm, after the credit management issues have been resolved.

IF THE PARTICIPANT RECEIVED THE MODERATE COMPETENCE MANIPULATION FIRST:

Assume that the CFO is a star, instead of an average manager. Assume that he has an excellent track record and is in high demand by other firms, instead of an average track record and being in moderate demand.

He may still seek a job in a larger firm, after the credit management issues have been resolved.

How likely are you to recommend that ABC:


Adopt Financial Supply Chain Management?

Change its accounting and finance processes?

What degree of change would you recommend to ABC’s accounting and finance processes?


Please provide a brief statement (i.e. a sentence or two) about what ABC should do (e.g. upgrade? reimplementation? centralize or decentralize? alternatives to FSCM?):

Please evaluate the CFO's

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<td>Competence</td>
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<td>Ability to implement your recommendations</td>
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Assume the CFO follows your recommendations. How likely is ABC to improve these indicators?

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How much would it cost for the CFO to adopt your recommendation, relative to the average cost of Financial Supply Chain Management projects?

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<td>Substantially less</td>
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POST-TEST QUESTIONS

How many years (months) of professional experience do you have?

How many years (months) of consulting experience do you have?

What is your current rank?

☐ Partner / Director / VP
☐ Senior / Associate Consultant

☐ Principal / Associate Partner
☐ Other, please specify __________

☐ Manager / Managing Consultant

Which option best describes your job responsibilities?

Sales          Delivery          Sales and Delivery          Operations
☐             ☐                 ☐                            ☐

Do you have any of the following certifications?

CPA / CMA          PMP          CPIM / CSCP
☐             ☐                 ☐

Are you currently a 1099 independent contractor?

☐ Yes
☐ No

Relative to consultants with similar experience, how knowledgeable are you about SAP Financial Supply Chain Management?

1  2  3  4  5  6  7
Not at all knowledgeable  Moderately knowledgeable  Extremely knowledgeable

☐ ☐ ☐ ☐ ☐ ☐ ☐
How beneficial is SAP Financial Supply Chain Management?

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<tr>
<td>Not at all beneficial</td>
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How similar is ABC to other firms that you have advised?

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<td>Not at all similar</td>
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Indicate your level of agreement with the following statements.

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<tr>
<td>Strongly Disagree</td>
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<td>Disagree</td>
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<td>Somewhat Disagree</td>
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<td>Neither Agree nor Disagree</td>
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- SAP implementation failures occur frequently.
- By recommending change, I benefit my clients.
- By recommending change, I benefit myself.
- Consultants are supposed to recommend change.
- Clients expect consultants like me to recommend change.