

Summary of Paper: [Because I Care: The Effect of Value Congruence and Compensation Scheme on Target Setting in Social Mission Organizations](#)

What is this study about?

This study tests how managers in organizations adopting a social mission set targets for employees. It further tests whether managers' target-setting depends on (1) how personally aligned the manager is with the organization's social mission ("value congruence") and (2) whether the manager is paid a fixed wage or performance-based pay. To address these questions, the study runs a controlled experiment in which participants act as managers and set performance targets for workers completing a real task.

What are the major findings of the study?

With 253 experienced business-school alumni acting as managers, participants set a target (5–20 units) for real workers (271 MTurk participants) completing a task. Managers who were more value congruent with the organization's social mission set higher targets than managers who were less value congruent with the organization's social mission. Separately, managers receiving performance-based pay set higher targets than those receiving fixed wages. Managers who were more value-congruent with the organization's social mission set higher targets for their workers because they believed it would help achieve the organization's social mission.

Why is the study important?

Target-setting is core to budgeting, planning, performance management, and internal control systems. This study shows that targets are influenced not only by managers' incentives but also by the managers' value congruence with the organization's social mission. For accountants, controllers, and auditors, this study shows that within organizations with a social mission, managers' values and incentive design can materially shift the targets employees must achieve.

What is the impact on professional practice and society at large?

Organizations are adopting social missions, such as those associated with environmental, social, and governance (ESG), to motivate employees to work harder toward the mission and the organization as a whole. This study shows managers are motivated to set more difficult targets to advance the organization's social mission when they personally value it. This can lead to more positive outcomes for the organization, such as increased motivation and retention. Organizations should be cautious, however, as difficult targets can lead to potentially harmful

effects, such as unachievable targets that cause employee stress and burnout, or “gaming” risk. In practice, organizations may need differentiated control designs: hiring for value congruence with the social mission when possible, and using incentives carefully when value congruence is uncertain.