Summary of Paper: "Go Easy on Me!" Supervisor Discretion in Target Setting after Managerial Turnover

What is this study about?

This study examines how supervisors set performance targets after managerial turnover. Specifically, it tests whether new managers receive different financial targets than continuing managers and whether supervisors use past and peer performance differently when revising targets. The analysis uses archival data from 113 nursing homes within a large elderly care provider over a three-year period, including 215 observations and 108 target revisions. Managerial turnover is common in the setting, occurring in about 22.4% of cases, making it highly relevant to real-world organizations.

What are the major findings of the study?

Supervisors assign lower (more attainable) targets to new managers compared to those who remain in their roles, even after controlling for performance. This effect is strongest for externally hired managers, where uncertainty about ability is highest. Overall, supervisors rely on past and peer performance similarly for both new and continuing managers when revising targets. However, when new managers underperform, supervisors are more lenient, making larger downward target adjustments than for underperforming incumbents.

Why is the study important?

The findings highlight that target setting is not purely mechanical—supervisory discretion plays a key role, especially after turnover. For accountants, controllers, and compensation designers, this affects budget comparability, bonus fairness, and performance evaluation consistency. Turnover can distort year-over-year comparisons if not properly considered.

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

Organizations should consider clearer policies for adjusting targets after leadership changes to balance flexibility with fairness and governance. Without oversight, discretion may create inequities across managers. More broadly, better target setting can support smoother transitions and more stable performance in critical sectors like healthcare, where financial outcomes directly affect service quality and stakeholder well-being.